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ABSTRACT

In response to the experience of the 1990s, the international community has adopted a set of international development goals for reductions in income poverty and improvements in human development indicators. The report states that attacking poverty in low- and middle-income countries is the greatest single challenge facing the global development community as the world moves forward into the 21st century. Despite progress, improvement has been slower than had been hoped. The World Bank is responding to this challenge and translating the approach of the "World Development Report 2000/2001" on poverty into practice. The WDR 2000-2001 has been a milestone in the work of fighting poverty with passion and professionalism for lasting results, codifying and extending the scope of the poverty reduction mission. Following an introduction, the report is divided into four chapters: (1) "Fighting Poverty: The Unfinished Struggle" (12 notes); (2) "Operationalizing the 'WDR 2000/2001' through Broader Understanding and Sharper Focus" (20 notes); (3) "Orienting Bank Operations To Support Opportunity, Empowerment, and Security" (7 notes); and (4) "Challenges Abroad." (Contains 9 annexes with additional data, 20 tables, and 13 boxes.) (BT)

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Progress in Operationalizing the WDR 2000/2001

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Poverty Reduction and the World Bank

Progress in Operationalizing the WDR 2000/2001

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This edition of the annual Progress Report on Poverty Reduction consolidates the findings of two documents prepared by World Bank staff and presented to the institution's Committee of Development Effectiveness and Executive Board in June 2001: a report, *Poverty Reduction and the World Bank: Progress in Fiscal 2000 and 2001*, and a paper, *Attacking Poverty: Operationalizing the World Development Report 2000/2001 at the World Bank*. The standard annual progress report annexes are also included.

The report was prepared by Jehan Arulpragasam and Giovanna Prennushi under the direction of John Page, Director, Poverty Reduction Group, Poverty Reduction and Economic Management Network. Chapter 1 draws on work by S. Cecchini, S. Chen, D. Filmer, D. Gwatkin, M. Ravallion, W. Shaw, A. Varoudakis, A. Wagstaff. Chapter 2 benefited from contributions by R. Adams, A. Arenas, C. Bhanu, P. Bocock, J. Bucknall, S. Cecchini, K. Ezemenari, V. Kozel, J. Owens, P. Petesch, G. Rubio, R. Seshagiri, P. Suebsaeng. Chapter 3 drew on consultations with numerous managers and staff across network anchors and regions, as well as the Poverty Reduction Board. We are grateful for their time and inputs. The Annexes were prepared by Alexander Arenas with assistance from Parita Suebsaeng, Chitra Bhanu, and Nicola Pontara. The report benefited from input and comments by Peter Bocock, Colin Bruce, Rui Coutinho, Shanta Devarajan, Ishac Diwan, Philippe Dongier, Judith Edstrom, Osvaldo Feinstein, Manuela Ferro, Patrick Grasso, Cheryl Gray, Daniela Gressani, Trina Haque, Norman Hicks, Christine Jones, Valerie Kozel, Brian Levy, Kathy Lindert, Laszlo Lovei, Magda Lovei, Syed Mahmood, Sohail Malik, Tamar Manuelyan Atinc, Daniel Morrow, Ambar Narayan, Deepa Narayan, Daniel Owen, Sulekha Patel, Guillermo Perry, Nicola Pontara, Susan Razzaz, Ana Revenga, Jo Ritzen, Richard Scobey, Colin Scott, Radwan Shaban, Parmesh Shah, Sudhir Shetty, Nicholas Stern, Eric Swanson, John Underwood, Tara Vishwanath, Michael Walton, Pem Wam, Ulrich Zachau, and Salman Zaidi.

Abbreviations and Acronyms

CAS	Country Assistance Strategy
CDD	Community-Driven Development
CDF	Comprehensive Development Framework
DAC	Development Assistance Committee
ECA	Europe and Central Asia
FY	Fiscal Year (July 1–June 30)
GDP	Gross Domestic Product
GEP	*Global Economic Prospects* (World Bank report)
GNP	Gross National Product
HIPC	Highly Indebted Poor Countries (Initiative)
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IFI	International Financial Institutions
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
JSA	Joint Staff Assessment
LIL	Learning and Innovation Loan
MIC	Middle-Income Country
NGO	Nongovernmental Organization
OECD	Organization for Economic Cooperation and Development
OED	Operations Evaluation Department (World Bank unit)
PA	Poverty Assessment
PER	Public Expenditure Review
PF	Poverty-focused (adjustment loans)
PPA	Participatory Poverty Assessment
PREM	Poverty Reduction and Economic Management (Network)
PRGF	Poverty Reduction and Growth Facility (IMF)
PRSC	Poverty Reduction Support Credit
PRSP	Poverty Reduction Strategy Paper
PTI	Program of Targeted Interventions
QAG	Quality Assurance Group (World Bank unit)
SFP	Strategic Framework Paper (World Bank report)
SPA	Strategic Partnership with Africa
UNDP	United Nations Development Programme
WBI	World Bank Institute (formerly EDI)
WDI	World Development Indicators
WDR	*World Development Report* (World Bank report)
WTO	World Trade Organization

Executive Summary

Attacking persistent poverty in low- and middle-income countries is the greatest single challenge facing the global development community as the world moves forward into the 21st century. But despite progress during the past decade, the battle is far from won, and progress has been slower than had been hoped at the beginning of the 1990s. This report discusses how the Bank is responding to this challenge and translating the approach of the *World Development Report 2000/2001* on poverty into practice.[1]

Fighting poverty: the unfinished struggle

In response to the experience of the 1990s, the international community has adopted a set of international development goals for reductions in income poverty and improvements in human development indicators. These goals were recently reaffirmed and expanded in the Millennium Declaration of the United Nations. Progress and prospects towards achieving the goals are summarized below and in chapter 1.

Trends in income poverty. The international development goals and many publications, including the World Bank's *World Development Report 2000/2001, Attacking Poverty (WDR 2000/2001)* have paid increasing attention to non-income dimensions of poverty. Nevertheless, trends in income poverty remain the most commonly used yardstick of poverty reduction over time. On this basis, the picture for the past decade has been mixed. The proportion of the world's population living on less than $1 per day—a broadly accepted measure of dire poverty—fell from 28 percent in 1990 to 23 percent in 1999. But the combination of slow economic growth and continued population growth over the period has meant that there has been little change in the total number of poor people—nearly 1.2 billion still live in deep deprivation. In regional terms, numbers have fallen substantially in East Asia but have risen in other parts of the developing world, more than doubling in the transition economies of Europe and Central Asia, and rising significantly in Sub-Saharan Africa. The numbers of people living on under $2 per day—a more adequate measure of poverty in some regions, for example in Europe and Central Asia—have actually increased globally (rising from 2.7 billion to 2.8 billion) since 1990, and in all regions except East Asia and Latin America and the Caribbean.

Economic growth is critical for reducing income poverty. The Bank's *Global Economic Prospects 2002* (World Bank 2002) shows that the target of halving dire income poverty by 2015 can be met if the average per capita GDP growth rate for developing countries can be sustained at 3.6 percent a year (twice the 1990s average of 1.8 percent). Under this scenario of robust growth, the incidence of those living on $1 a day could fall to 12 percent, and their absolute numbers could drop to about 750 million by 2015. But even under this scenario, many countries would still not reach the goal. In Sub-Saharan Africa, the incidence of poverty would be 39 percent (down from 47 percent in 1990) and the number of poor would increase to 345 million compared to roughly 240 million in 1990 and 300 million in 1999.

Progress towards human development goals. Income is not the only dimension by which to measure deprivation. Poor people typically lack access to even minimally decent education, health care, and basic physical infrastructure. The international development goals enshrined in the Millennium Declaration capture some of these other dimensions of need, with improvements mainly targeted at targets to be met by 2015 compared with the reference year of 1990. Thus far progress has been slow. Primary school enrollments remain off track for realizing the goal of universal primary schooling by 2015. Even where countries have succeeded in bringing more children to school, there are concerns about the quality of education. Overall progress towards gender equality in primary and secondary education has also been too slow to meet the target of achieving equality by 2005. And mortality and health indicators have not

improved as hoped. Over half a million women continue to die each year during pregnancy or childbirth. With respect to under-five mortality, only a substantial acceleration of recent progress would allow any region to reach the targeted two-thirds reduction by 2015.

Poor people everywhere continue to suffer from unacceptably low social conditions and lack of access to services. The Millennium Declaration includes a call for halving the proportion of people without access to safe and affordable water. An additional 1.5 billion people would need to gain access by 2015 if this target is to be reached. Malnutrition rates are systematically higher for the poor than the better-off, and use of services ranging from immunization to treatment of respiratory infections and diarrhea is lower. Lack of voice and representation make it harder for the poor to get service providers to cater to their needs.

The AIDS crisis is having a devastating impact on developing countries, especially in Africa. Health care systems—weakened by the impact of AIDS, along with conflict and poor management—cannot cope with traditional illnesses. Malaria and tuberculosis continue to kill millions—malaria alone is estimated to reduce GDP growth rates by 0.5 per year on average in Sub-Saharan Africa. Life expectancy in the region fell from 50 years in 1987 to 47 years in 1999; in the countries hardest hit by AIDS (such as Botswana, Zimbabwe, South Africa, and Lesotho) the average lifespan was cut short by more than ten years. Child mortality increased from 155 per 1,000 in 1990 to 161 per 1,000 in 1999 in Sub-Saharan Africa, but fell in all other regions.

Overall trends, however, mask a great variety of country experiences. Those with good policies and institutions have succeeded in raising growth and reducing poverty. But gains from growth can be undermined by income equality. Country-level data also mask the special problems faced by particular regions and social groups within countries—for example, women and ethnic minorities.

The Bank's response: operationalizing the *WDR 2000/2001* through broader understanding and sharper focus

The trends in poverty indicators outlined above have challenged the Bank and the wider development community to reflect on what has worked and what has not in efforts to support developing countries' poverty reduction strategies. Recent work on aid effectiveness and the *World Development Report 2000/2001* together provide the intellectual underpinnings for broadening our understanding of poverty and sharpening the focus of our support. The Bank has also refined its support for global public goods in the context of poverty reduction and the *WDR 2000/2001* framework. And the Bank's strategic directions and business models, including Country Assistance Strategies, Sector Strategies, and analytical work, have evolved to respond to the challenge. These developments are described below and in chapter 2.

Strengthening intellectual underpinnings. What can be done to fight poverty more effectively? How can aid support poverty reduction? Recent research on aid effectiveness has shown that aid works when a country's overall policy and expenditure framework is appropriate, institutions are strong, and government and people together are strongly committed to reforms developed in partnership with donors and civil society. Drawing on the experience of the 1990s, the *World Development Report 2000/2001* reviewed the nature and causes of poverty and proposed an expanded framework for action in three interconnected areas—promoting opportunity, enhancing empowerment, and increasing security for poor people across the world. Building on the evidence on aid effectiveness, the *WDR* advocated providing assistance more selectively, focusing on countries with strong commitment to reforms and using delivery mechanisms that respect country ownership. The *WDR 2000/2001* framework is changing the way the Bank and other development organizations do business.

Refining strategic directions and the country business model. The Bank's January 2001 Strategic Framework Paper (SFP) reaffirms the country business model endorsed by the Development Committee at the Prague meeting in September 2000. The SFP stresses the central role of poverty reduction in its mission and takes the international development goals as a frame of reference. The SFP translates the main themes of the *WDR 2000/2001* into two priority areas for action: (i) building the climate for investment, jobs, and sustainable growth and (ii) investing in poor people and empowering them to participate in development. The SFP also calls for selective, poverty-focused Bank action in the global arena.

The Bank's country business model permits the effective operationalization of the concepts emphasized in the *WDR 2000/2001*. It is centered on the country's vision, good diagnosis of the policies proposed, a Bank program in support of the vision and informed by the diagnosis, and a focus on results. It translates into specific approaches to support for low- and middle-income countries, endorsed by the Development Committee.

- *Low-income countries.* The support provided to low-income countries by our concessional lending affiliate,

the International Development Association (IDA), is now grounded in the Poverty Reduction Strategy Paper (PRSP), that articulates the country's vision. The PRSP approach is an operational expression of the principles of the Comprehensive Development Framework (CDF)—country ownership of strategies based on broad participatory processes, a long-term perspective and a multifaceted approach to poverty reduction, a focus on partnerships with others, and concrete, monitorable outcomes and results for poor people. For low-income countries, the PRSP is the approach through which the Bank is working toward operationalizing the *WDR 2000/2001*. Debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative is also provided within the context of poverty reduction strategies, and has already reduced the debt burden of a number of countries. The CAS, the Bank's country business plan, reflects the vision as well as resources and instruments available, and the contribution of other partners.

- *Middle-income countries.* A substantial proportion of the world's poor live in middle-income countries (MICs). Hence the Bank is selectively engaged with these countries, with a main emphasis on two areas: reducing vulnerability to shocks and crises that can erode gains in fighting poverty; and supporting governments' efforts to help social groups or geographical areas within MICs that suffer disproportionately from poverty. As with poor countries, the Bank will support national strategies for growth and poverty reduction that are developed and owned by countries themselves.

Reorienting country assistance and sector strategies. Reflecting the country's vision, the Bank prepares Country Assistance Strategies (CASs) that set out the program of support over the medium term. A review of CASs prepared in fiscal years 2000–2001 shows that they are becoming more country- and poverty-centered (for example by being based on country-owned poverty reduction strategies where available).

The Bank also periodically prepares sector strategies that guide the staff's work in individual sectors of activity. Recently updated sector strategies (covering, for example, the public sector, social protection, the urban sector, and the financial sector) have been increasingly oriented to the achievement of the international development goals, and specifically discuss the proposals for attacking poverty described in the *WDR 2000/2001*; the gender and environment strategies are good examples. Forthcoming sector strategies will continue this trend.

Improving poverty analysis. Good decisions depend on sound analysis. The *WDR 2000/2001* stresses the importance of understanding country and context-specific determinants of poverty in order to effectively act to reduce poverty. The Bank undertakes a substantial amount of analytical work to understand poverty better, including formal country Poverty Assessments and other types of analysis, and formulate a professional assessment of the country's policies and institutions for achieving the vision. Several Poverty Assessments undertaken in fiscal years 2000–2001 focused on the links between economic growth and poverty, on whether growth had been pro-poor (a key concern of the *WDR 2000/2001*), and on the institutional and incentive factors influencing the delivery of social services to the poor. Other analytical studies conducted for countries, such as Public Expenditure Reviews and Institutional and Governance Reviews, also provide important contributions to our poverty reduction work.

The PRSP approach has prompted a major new piece of analytical work, the *Sourcebook for Poverty Reduction Strategies*, which brings together information on the linkages between poverty reduction and action across a range of sectors and cross-cutting areas of activity (such as the environment and gender). Analytical work on poverty also includes cross-country studies—a notable recent example is a study on poverty in the transition economies of the Europe and Central Asia region—along with sectorally focused poverty work in individual countries and country-based informal poverty analysis. These analytical underpinnings are now feeding into countries' poverty reduction strategies (one example is the work done recently with local partners in Uganda).

Tracking results: monitoring and evaluation. Results are what matter in the end. Enhancing aid effectiveness, applying the results-oriented CDF/PRSP approach, and promoting the principle of country ownership means enhancing country level, and country managed, systems for monitoring poverty outcomes and for evaluating the impact of strategies and interventions. And the Bank's own monitoring and evaluation systems are being strengthened to capture more comprehensively the poverty impact of its policy-based and investment lending. The multidimensional strategy for attacking poverty described in the *WDR 2000/2001* entails expanding monitoring and evaluation efforts to cover new areas, such as various aspects of empowerment (or lack of it) among the poor. The Bank and other development partners are working to help countries improve the availability of the statistical data on which effective poverty monitoring and evaluation depend and

strengthen feedback loops between data collectors and policy makers. More than 200 Bank lending operations include support for building statistical capacity and the ability to use data for policymaking. We are working with others—for example, through the PARIS21 consortium and the Trust Fund for Statistical Capacity Building—to support country monitoring capacity and data availability. The result: growing country level data availability, for example in the form of income or consumption surveys, and use in policy formulation. Better tools to track poverty outcomes and impacts, such as the Core Welfare Indicators Questionnaire, are also being developed and made available to countries.

Country-level capacity for data collection needs to be complemented by domestic capacity for data analysis and evaluation. We therefore support programs such as the Poverty Analysis Initiative for training officials in East Asia, West Africa, and the Caribbean, and the Evaluation Capacity Development project (which is currently providing assistance to seven countries in three regions).

The Bank itself is enhancing its own monitoring and evaluation systems and capacity in the context of CASs, Bank-supported policy reforms, and investment operations. Initiatives, such as the Monitoring and Evaluation Improvement Program and the work on poverty and social impact analysis undertaken jointly with the IMF, are addressing this need.

Supporting global public goods. The Bank continues to play a major role in helping to address global issues of special relevance to poverty reduction, such as responding to the threat posed by communicable diseases (especially HIV/AIDS, malaria, and TB), addressing the degradation of environmental commons, and supporting improvements in international financial architecture (so as to help avert or manage financial crises, which can be especially devastating for poor countries and people). It is also working to enhance the global spread of information technology and knowledge, and to promote trade expansion and integration with the global community in support of economic growth and poverty reduction.

Orienting Bank operations to support opportunity, empowerment, and security

The *WDR 2000/2001* laid out a comprehensive agenda for attacking poverty based on a three-pronged strategy: increasing opportunity, enhancing empowerment, and strengthening security among the poor. The Bank's strategic framework and country business model outlined above—founded on country-owned vision, context-specific diagnosis of the policies proposed, a Bank program to support the vision and informed by the diagnosis, and a focus on results—are the cornerstones of the Bank's operationalization of the *WDR 2000/2001* agenda. The Bank is addressing all three elements of poverty reduction outlined by the *WDR 2000/2001*—increasing opportunity; enhancing empowerment; and strengthening security—by undertaking action on a broad front within the context of its overarching business model. While Bank approaches to address each of the three pillars of the *WDR 2000/2001* are presented separately below, each will typically have a positive impact on more than a single component.

Increasing opportunity. The Bank has traditionally focused on fostering growth and enhancing human development, the two main pillars of the *WDR 1990/1991* on poverty. To operationalize the *WDR 2000/2001*, we will continue to focus on these areas, but with some shifts in emphasis. First, we will pay more attention to the country and institutional underpinnings of growth-oriented policies and to their distributional effects, for example, by using poverty and social impact analysis to help determine the consequences for poor people of a given growth strategy (or a set of alternative strategies). Second, we will look for ways to help countries make markets work better for the poor, and hence stimulate pro-poor growth. This will involve enhancing the investment and savings climate for the poor, entailing support for pro-poor legal and regulatory arrangements, access to financial markets and business services, and infrastructure provision. Third, we will continue to support investments—in health, education, water, and sanitation services—that help build the human capital of poor people, but will focus increasingly on improving the delivery and responsiveness of services to the poor, and the accountability of service providers. We will also look for opportunities to capitalize on opportunities for public/private partnerships in these areas.

Enhancing empowerment. The empowerment component of the *WDR 2000/2001* agenda poses special challenges for the Bank. In order to frame our engagement in this area and to provide practical direction to staff, we are currently preparing a sourcebook for staff on empowerment, which will clarify concepts, outline areas/entry points for action, and point to good practice. We currently expect our role with respect to empowerment to have four main components. First, we are building on progress already made in incorporating inclusion and participation into our operations,

while working to avoid potential risks and problems (for example in terms of costs and variability in quality). We will address these and other issues in the context of an updated participation strategy in the Bank's forthcoming Social Development Strategy Paper, and in light of evolving experience with the PRSP approach, which strongly emphasizes broad-based participation in strategy formulation and outcome monitoring. Second, we will continue to support the strengthening of local organizational capacity and poor people's participation in economic decision-making in two main ways: supporting Community-Driven Development (CDD) approaches in the context of individual projects; and supporting countries' decentralization efforts in the context of public sector reform, including exploring ways to expand our support for poor people's organizations. Third, we intend to expand our support for country-driven efforts to enhance accountability and enforcement—for example, through better systems for public expenditure management, monitoring, and oversight, tailored to country-specific institutional contexts. Fostering participatory approaches and information flows to improve the accountability of public institutions to the poor is a key element of this approach. Fourth, and relatedly, we will continue supporting efforts to enhance citizens' access to information, at both the project and the country program/policy level. The PRSP approach is part of this effort, as is our support for budgetary transparency, disclosure and publication of information on outcomes.

As we move forward in operationalizing empowerment, careful benchmarking, monitoring, and evaluation of progress will be required. Developing indicators and measures of success will be a critical dimension of this agenda. We intend to establish an interdisciplinary group of staff that will exchange experiences and monitor progress with implementation.

Strengthening security. The *WDR 2000/2001* stresses the importance of efforts to reduce the risks faced by poor people owing to their vulnerability to economic shocks, natural disasters, ill health, disability, and personal violence. Risk and vulnerability are particularly important drivers of poverty in many of the Bank's middle-income member countries. We are committed to expanding our operational work in three important areas related to enhancing the security and reducing the risk and vulnerability of poor people. First, we have developed a social risk management framework, presented in the fiscal year 2001 Social Protection Strategy Paper, which is intended to operationalize the security dimension of the *WDR*. The challenge now is to refine and implement the framework in ways that ensure that risk and vulnerability considerations are systematically taken into account in our work. In the social protection sector, work is well underway, with the adoption of regional social risk management strategies, and more systematic efforts are going into applying the risk management framework to Bank country assistance strategies and in the design of specific operations. Second, we have an active program in the field of disaster mitigation and management. Operations in this area are evolving beyond support for reconstruction and are focusing increasingly on helping countries to design mitigation and coping strategies, and to ensure that that rehabilitation investment is resilient to future disasters. Third, we expect to continue to be engaged in post-conflict reconstruction. The Bank's Conflict Prevention and Reconstruction Unit administers a Post-Conflict Fund, which is already assisting 24 of the 37 countries currently considered to be conflict-affected. We are also focusing on developing a broader understanding of security and conflict, including underlying institutional and social tensions, in order to better support conflict-affected countries.

Challenges ahead

Despite substantial changes in how the Bank organizes itself to fulfill its core poverty reduction mandate, major challenges remain. Below and in chapter 4 we single out just four: deepening the country-centered orientation embedded in the CDF/PRSP approach; strengthening partnerships and their benefits, again in line with CDF/PRSP principles; further changes in the way we do business; and further mainstreaming the *WDR 2000/2001* framework for attacking poverty.

Deepening country orientation. The Bank has done much in this area, especially since the PRSP process was institutionalized for low-income countries in late 1999. Country Assistance Strategies increasingly reflect the vision laid out in country documents. But country orientation presents its own challenges. For example, there is no guarantee that country and Bank approaches to poverty reduction will automatically coincide. And the quality of country strategies can suffer from the imperative of speedy preparation related to donors' and countries' concerns about early access to debt relief and concessional assistance. The participatory processes sought under the PRSP approach also present challenges, both for countries (which understandably wish to maintain the sovereignty of governments and associated representative institutions), and

for the Bank in evaluating the extent to which country strategies have been informed by genuinely broad-based participation.

Strengthening partnerships. Partnership is at the heart of the CDF/PRSP approach, the drive towards enhanced aid effectiveness, and the *WDR 2000/2001* framework for attacking poverty. Much has recently been achieved in strengthening partnerships—for example, in the PRSP context between the Bank and the IMF, and between the Bank (and the IMF) and other external partners—including bilateral donors and multilateral agencies (for example, UN organizations and the regional development banks). We have also developed closer links with nongovernmental organizations dedicated to poverty reduction and to support for the Millennium Development Goals. But much remains to be done. The goal of ensuring that all external supporters collaborate in assisting low-income countries on the basis of their comparative advantage remains to be achieved, as does the hoped-for harmonization of donor policies and procedures that would ease administrative burdens on recipient countries. Work is ongoing in these areas in various fora, but the international community (including the Bank) still has much to do before an effective division of labor and harmonization of procedures is achieved.

Further changes in the way we do business. Implementing the changes in the way we work implicit in the CDF/PRSP approach, the country business model, the SFP, and the *WDR 2000/2001* goes beyond policies and processes; it entails further changes in our institutional culture—not just in what we do but in how we do it. For example, both the CDF/PRSP approach and the *WDR* agenda put a premium on more integrative and interdisciplinary teamwork across different Bank Group units. Cross-sectoral approaches are required in areas such as governance and gender. Technical skills in areas such as poverty analysis and the relationship between public actions and poverty reduction, along with the skills needed to implement the SFP and our work on global public goods, are being supported through a revamped Staff Learning Program. Perhaps most fundamentally, the priority attached to country ownership, which in effect transforms the traditional client-donor relationship into an owner-supporter relationship, is spurring further attitudinal change. Practical experience—for example with implementing the PRSP process—is already promoting such change, and this "learning-by-doing" process may be as important as formal learning/training programs in the process of culture change.

Mainstreaming the WDR 2000/2001. Many of the challenges we face in implementing the *WDR 2000/2001* framework for attacking poverty were implicit in the summary of chapter 3 above. Here we single out a few of the most important ones.

Increasing opportunity. The key challenge in this area is to deepen our understanding of what pro-poor growth means, and to find ways to support it effectively in our operations. At the macro level this involves assessing the distributional effects of policy—including the scaling up of poverty and social impact analysis work. At the micro level, it involves looking at the barriers to fuller participation of poor people in markets. Both approaches will require substantial additional data and analytical work, followed by systematic efforts to promote pro-poor growth in policy-based and investment lending.

Empowering the poor. Here the question is how best to inform our own work on the basis of poor peoples' views, and to use their strengths to enhance the effectiveness of our operations. We are also supporting institutional development that helps to empower the poor and promotes effective delivery of services to them. And, as already noted, we need clearly to define the Bank's comparative advantage and mandate in this complex but crucial area.

Enhancing security. We are already working on issues related to risk and vulnerability. The challenge will be to mainstream this work systematically in our operations. We are also following through on regional social protection plans to focus our lending and non-lending work more sharply on actions that will help the poor and vulnerable to withstand economic shocks, natural disasters and conflict, and on approaches that reduce their future vulnerability.

Strengthening diagnosis. As noted above, we are working to enhance our understanding of what works and what does not with respect to pro-poor growth. But the challenge in this area goes deeper: it involves supporting countries in building their own capacity to undertake analytical work in this and other areas; the adoption of multidisciplinary approaches to analysis (in line with the *WDR's* emphasis on the multifaceted nature of poverty and ways of attacking it); and the expanded use of qualitative as well as quantitative methodologies in our analytical work.

Strengthening monitoring and evaluation. Relatedly, monitoring and evaluation need to be increasingly undertaken at the country level by the countries themselves. This implies substantial capacity building work, by the Bank Group and development partners. The *WDR's* focus on empowerment and security also challenges us and others to develop indicators that can track these dimensions of poverty

and incorporate them into our lending operations and policy advice to countries.

Conclusion

The period under review has been one of real progress in broadening the concept and sharpening the focus of the Bank's work on fulfilling its core mandate—to fight poverty with passion and professionalism for lasting results. The *WDR 2000/2001* has been a milestone in this work, codifying and extending the scope of the poverty reduction mission. And the international community as a whole—poor countries, rich countries, United Nations, and other multilateral agencies, nongovernmental and civil society organizations—has renewed and strengthened its commitment to attacking world poverty, notably through the framing and wide adoption of the Millennium Declaration. Important advances have also been made in the tools available to address poverty, for example, through the embodiment of CDF principles in the PRSP approach, and the broad endorsement of that approach by poor countries and donors alike. But we should never forget that the most important participants in the struggle to reduce the scourge of poverty in a world of historically unparalleled global wealth are poor people themselves. All our energies, all our efforts, must be geared to better understanding their needs, building on their strengths, and supporting their aspirations for a better tomorrow for their children. That must remain our goal as we move forward.

Note

1. This edition of the Annual Progress Report on Poverty Reduction consolidates the findings of two documents prepared by World Bank staff and presented to the institution's Executive Board in June 2001: a report, *Poverty Reduction and the World Bank: Progress in Fiscal 2000 and 2001*, and a paper, *Attacking Poverty: Operationalizing the World Development Report 2000/2001 at the World Bank*. The standard annual progress report annexes are included at the end.

Introduction

This Progress Report on Poverty Reduction is the seventh in a series of annual reports presented by the management of the World Bank to its Board of Executive Directors to inform them on progress made in reducing poverty and strengthening the poverty focus and impact of Bank activities. The report was prepared by the Poverty Reduction Group in the Poverty Reduction and Economic Management Network (PREM). It reflects broad consultations with staff from other groups and networks in the Bank, as well as discussions with the Board's Committee on Development Effectiveness and the full Board of Executive Directors.

After the previous Progress Report was published in August 2000, the *World Development Report (WDR) 2000/2001* on Attacking Poverty was completed and widely discussed. The *WDR 2000/2001* broadens the concept of poverty and calls for actions to promote opportunity, facilitate empowerment, and enhance security for poor people. It articulates and consolidates an intellectual framework for poverty reduction that has evolved through the 1990s, giving it more prominence and focus. Over the last two years, the *WDR* has provided an important intellectual anchor for the Bank's change agenda and operations.

This progress report, therefore, in addition to covering progress made on the Bank's poverty reduction agenda, also examines the progress made and challenges faced by the Bank in operationalizing the *WDR 2000/2001*. It covers four main areas: the status of poverty around the world (chapter 1); the poverty focus of World Bank activities in fiscal years 2000 and 2001 (chapter 2); how the Bank is moving ahead to operationalize the approach to poverty reduction put forward in the *WDR 2000/2001* (chapter 3); and the challenges that lie ahead (chapter 4).

In summary, the report says that much has been accomplished in sharpening the poverty focus of Bank activities and operationalizing the *WDR* through clearer strategic focus (including on the internationally agreed development goals) with respect to country business models, country assistance and sector strategies, and links between analytical work, strategy formulation and interventions. There have been significant changes in the way the Bank does business. But much remains to be done to build on these changes in the years to come for the Bank to fulfill its mission of fighting poverty—especially in the context of slower-than-hoped-for global poverty reduction and uneven progress across regions and countries.

CHAPTER 1
Fighting Poverty: The Unfinished Struggle

Achieving substantial and sustained poverty reduction is the greatest single challenge facing the international community as the world moves forward into the 21st century. Global concern about poverty reduction has led to the broad adoption of a set of internationally agreed development goals. These goals, reaffirmed in September 2000 in the Millennium Declaration of the United Nations, reflect both income and human development dimensions of poverty.[1] Progress in achieving these goals has been substantial during the 1990s, but less rapid than had been hoped at the beginning of the decade. This reflects both a lack of sustained economic growth in many of the poorer countries and the fact that the benefits of growth have not been equally distributed. Moreover, poverty is multidimensional in nature and economic growth does not affect all dimensions equally. This chapter briefly describes recent and projected trends in income poverty and then summarizes trends in some of the key human development factors that are both causes and consequences of poverty. Subsequent chapters will look at the Bank's response to slower than expected progress in poverty reduction.

Poverty remains deep and widespread

The development targets agreed to by the international community—most recently at the Millennium Summit in New York—are ambitious. Achieving them by the target date of 2015 would require lifting more than 300 million people out of income poverty, preventing 55–60 million infant and child deaths and over 4 million maternal deaths, enrolling at least 128 million more primary school students, and providing safe and affordable drinking water for 1.5 billion additional people. Even though incomes have grown and social indicators have generally improved over the last three decades, on current trends many of the development goals are unlikely to be achieved. Sustained and focused commitment on the part of developing countries and their external partners, including bold efforts to address economic, social, and governance constraints, will be needed to achieve widespread progress for the world's poor.

Trends in income poverty

Absolute income poverty, measured by the proportion of the world's population living on less than $1 per day, fell from 28 percent in 1990 to 23 percent in 1999. But population growth over the decade has meant that the numbers of poor people have fallen only slightly over the period; nearly one billion two hundred million people still live on less than $1 per day and 2.8 billion on less than $2 per day. At the regional level there have been changes. Much of the reduction in the proportion of poor people reflects significant economic growth and progress in poverty reduction in East Asia—progress that was only partially reversed by the crisis of the late 1990s. The number of poor people also fell significantly in East Asia, but all other regions experienced increases or only very small reductions (see figure 1.1 and table 1.1). The number of people in the Europe and Central Asia region living below $2 per day, which is a more adequate poverty line than $1 per day because of the higher needs for heating, clothing, and calories, more than doubled from 44 million in 1990 to 91 million in 1999.

Economic growth has been a critical force for reducing poverty over the past two decades (see figure 1.2) and will continue to be an important factor in the future. A scenario developed for the Bank's *Global Economic Prospects and the Developing Countries 2002* shows that, with relatively rapid average per capita GDP growth in developing countries—about 3.6 percent per year, twice the average rate achieved in the 1990s—the developing world as a whole would be on track to reach the international development target of halving the percentage of the population living on less than $1 a day by 2015 compared to its level in 1990, and the total number of poor people would fall from the 1990 figure of nearly 1.3 billion to about 750 million by 2015.[2] But, even under this favorable overall scenario,

TABLE 1.1

Regional breakdown of number of people living on less than $1 and $2 per day, 1990, 1999, and 2015

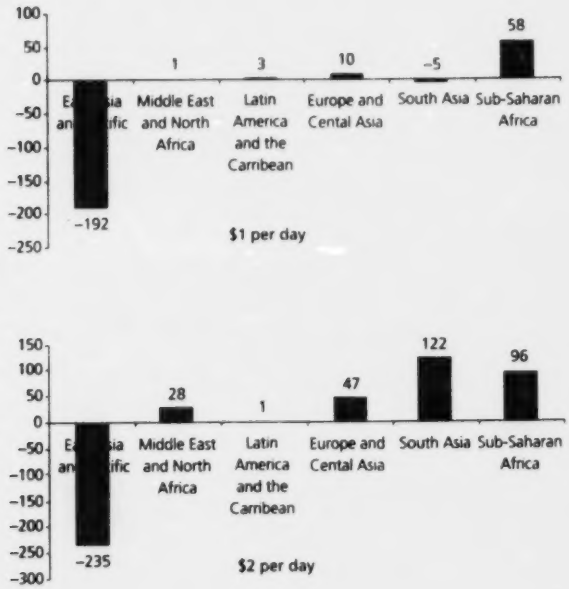
Region	Number of people living below $1 per day			Number of people living below $2 per day		
	1990	1999	2015	1990	1999	2015
East Asia and the Pacific	452	260	59	1,084	849	284
(excluding China)	92	46	6	285	236	93
Europe and Central Asia	7	17	4	44	91	42
Latin America and the Caribbean	74	77	60	167	168	146
Middle East and North Africa	6	7	6	59	87	65
South Asia	495	490	279	976	1,098	1,098
Sub-Saharan Africa	242	300	345	388	484	597
Total	1,276	1,151	753	2,718	2,777	2,230
(excluding China)	916	936	700	1,919	2,164	2,040

Source: World Bank (2001), *Global Economic Prospects and the Developing Countries 2002*, Washington, D.C.
Notes: The $1 a day is in 1993 purchasing power parity terms. The numbers are estimated from those countries in each region for which at least one survey was available during the period 1985–98. Survey dates often do not coincide with the dates in the above table. To line up with the above dates, the survey estimates were adjusted using the closest available survey for each country and applying the consumption growth rate from national accounts. Using the assumption that the sample of countries covered by surveys is representative of the region as a whole, the numbers of poor are then estimated by region. This assumption is obviously less robust in the regions with the lowest survey coverage. The headcount index is the percentage of the population below the poverty line. Further details on data and methodology can be found in M. Ravallion and S. Chen (2000), "How Did the World's Poorest Fare in the 1990s?," Policy Research Working Paper 2409, World Bank. The historical series to 1999 was updated in October 2001 for the 2002 edition of *Global Economic Prospects*.

FIGURE 1.1

Changes in the number of people living on less than $1 and $2 per day, 1990–1999

Millions

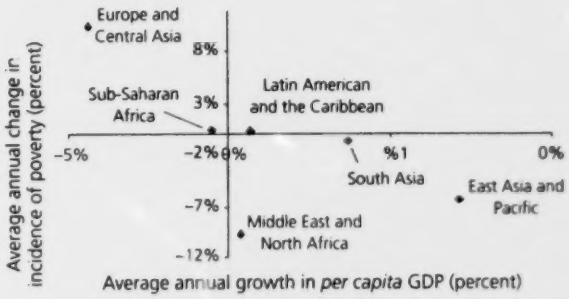


Source: World Bank data.

FIGURE 1.2

Average annual growth in *per capita* GDP and change in the incidence of income poverty, 1987–1998

Percent



Source: World Bank (2000), *World Development Report 2000/2001: Attacking Poverty*, Washington, D.C., Figure 3.4.

regional variations in projected growth rates mean that not all regions would achieve similar progress. For example, per capita growth in Sub-Saharan Africa over 2005–2015 is projected to be only 1.5 percent a year. As a result, Sub-Saharan Africa would remain far from reaching the percentage reduction target, and the number of its absolute poor would continue to increase (see tables 1.1 and 1.2).[3] With less rapid growth averaging 2.3 percent per capita per year, the developing world as a whole would not reach the target.[4] Thus, sustained long-term growth is critical to ensure significant poverty reduction.

These projections need to be treated with caution, because of the data and assumptions that underlie them. Despite enormous progress in measuring poverty over the past 10 years, recent data are missing for a number of countries, especially in Africa. There is also substantial uncertainty about the data for the world's two most populous countries, China and India, owing to large discrepancies between national accounts and household survey measures of private consumption. The projections also assume that inequality would not change for most of the developing countries, and would increase in China and India in line with trends

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TABLE 1.2

Regional breakdown of headcount index of people living on less than $1 and $2 per day in developing countries, 1990, 1999, and 2015

Region	Headcount index (percent), $1 per day			Headcount index (percent), $2 per day		
	1990	1999	2015	1990	1999	2015
East Asia and the Pacific	27.6	14.2	2.8	61.1	46.2	13.5
(excluding China)	18.5	7.9	0.9	57.3	40.4	13.3
Europe and Central Asia	1.6	3.6	0.8	9.6	19.3	8.7
Latin America and the Caribbean	16.8	15.1	9.7	38.1	33.1	23.4
Middle East and North Africa	2.4	2.3	1.5	24.8	29.9	16.7
South Asia	44.0	36.9	16.7	86.8	82.6	65.5
Sub-Saharan Africa	47.7	46.7	39.3	76.4	75.3	68.0
Total	29.0	22.7	12.3	61.7	54.7	36.3
(excluding China)	28.1	24.5	14.8	58.8	56.5	43.0

Source and notes: see table 1.1.

TABLE 1.3

Countries with net primary enrollment rates of less than 50 percent (percent of relevant age group)

Country	% Total	% Female	% Male	Country	% Total	% Female	% Male
Niger	25	19	30	Mozambique	40	34	45
Eritrea	30	29	32	Guinea	42	33	50
Burkina Faso	31	24	37	Chad	46	33	59
Mali	31	25	38	Tanzania	48	49	48
Ethiopia	32	25	40				

Source: World Bank (2001), *World Development Indicators 2001*, Washington, D.C. (www.worldbank.org/data/).

observed in the past decade. Changes in inequality other than those assumed could alter significantly the rate of reduction in poverty.

Despite these reasons for caution, the broad trends are clear. With sustained and robust economic growth in the developing world, the development target of halving income poverty can be met, and the absolute number of poor people can decline, quite dramatically in those regions that have historically had growth rates exceeding the average for developing countries. But many countries—especially in Africa—and many individuals would remain at risk of persistent income poverty. Under conditions of more modest growth—such as that observed during the 1980s and 1990s—the target would not be met; the absolute numbers of poor people would differ little from current levels, and would rise substantially in Sub-Saharan Africa (see figure 1.3).

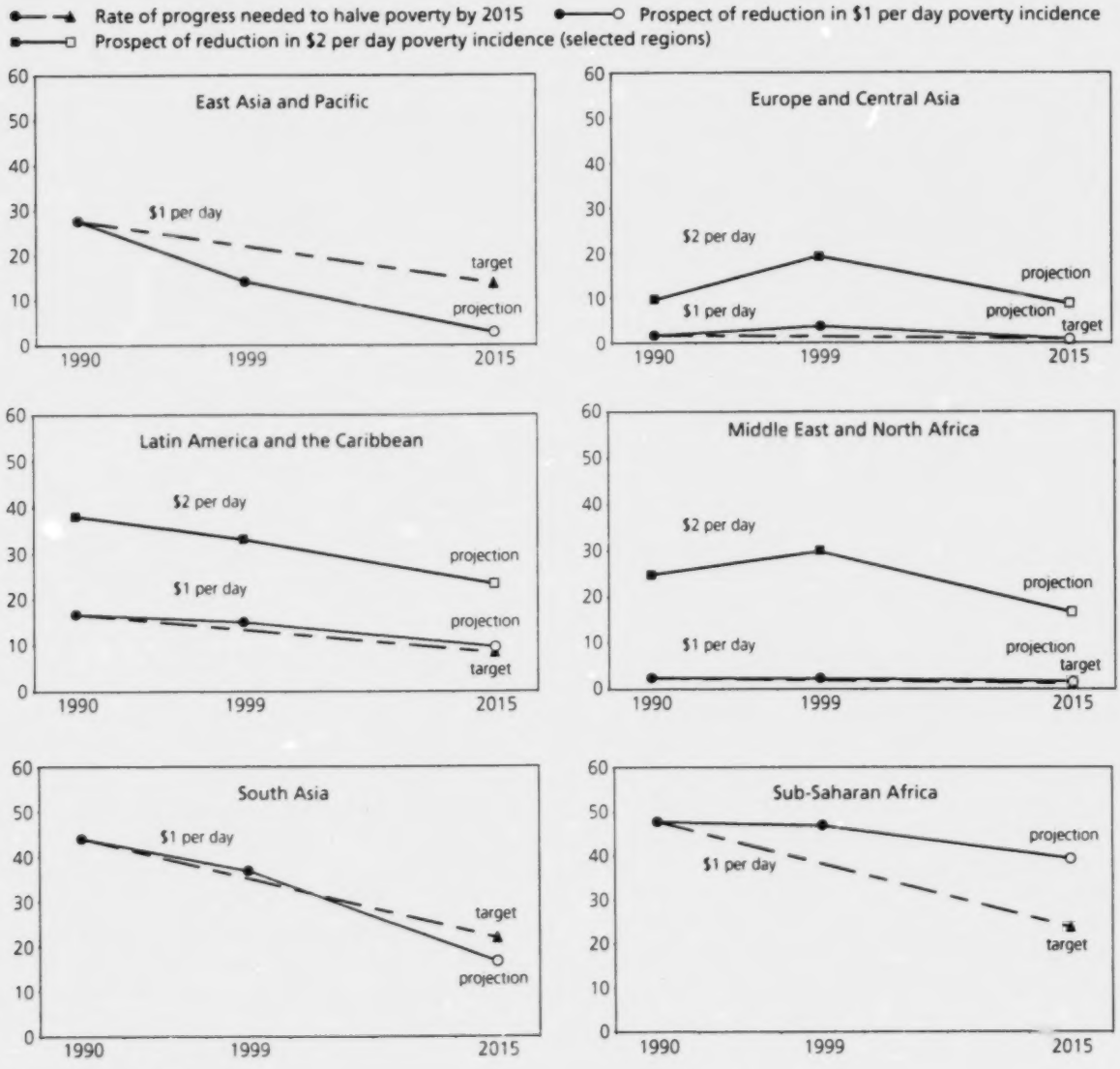
Progress toward human development goals

Progress on achieving the internationally agreed development goals for education, gender equality, and health has been slow. Primary school enrollments have not increased enough to meet the target of 100 percent by 2015, especially in South Asia and Sub-Saharan Africa; more than a hundred million children are still out of school, and even where countries have succeeded in bringing more children to school the quality of education is a major concern. In Africa, gross primary school enrollment rates actually fell between 1980 and the mid-1990s, and nine countries still reported net primary enrollment rates of less than 50 percent (see table 1.3). The ratio of girls to boys in primary and secondary education has risen from 83 percent in 1990 to 89 percent in 1999, but many countries remain far from the goal of achieving gender equality in education, and little time is left to achieve the target of a one-to-one ratio in 2005. Many of the countries that have low overall enrollment rates have even lower rates for girls (see the table).

Data on infant and child mortality show continued progress in all regions in the 1990s. Globally, under-five mortality declined from 86 to 78 per thousand live births between 1990 and 1999. But this rate of change is projected to be too slow to reach the target of a two-thirds reduction by 2015 compared to 1990. And over half a million women continue to die each year during pregnancy or childbirth, a number that could be dramatically reduced if more births were attended by skilled personnel.

The Millennium Declaration added to the earlier International Development Goals the target of doubling the share of population with access to safe and affordable water by 2015 compared to 1990. An additional 1.5 billion people

FIGURE 1.3
Share of the population living on less than $1 and $2 per day, 1990, 1998, 2015 (projections), 2015 (target)



Source: World Bank data.

would need to gain access if this target is to be reached; recent gains have been slow.

The spread of AIDS poses a special challenge to the achievement of the development goals. UNAIDS has estimated that 36.1 million individuals are living with HIV or AIDS, the vast majority of them in Sub-Saharan Africa (25.3 million, 70 percent of the total) and South and South-East Asia (5.8 million, 15 percent). In Europe and Central Asia, a conservative estimate puts the number of adults and children living with HIV or AIDS in 2000 at 700,000, compared with 420,000 a year before.[5] In eight African countries (including Botswana, South Africa, and Zimbabwe), 15 percent or more of adults live with HIV or AIDS. In 2000 there were 3 million deaths due to AIDS, the highest global total since the beginning of the epidemic, and 5.3 million newly infected individuals. Most new infections of HIV are also in Sub-Saharan Africa (3.8 million).[6] Women are particularly vulnerable, and the rapid rise in adult deaths is leaving an unprecedented number of orphans: 13.2 million worldwide, 12.1 million of them in Sub-Saharan Africa alone.

TABLE 1.4

Declines in life expectancy between 1990 and 1999 (years of life)

Botswana	−17.4	Kenya	−9.4
Zimbabwe	−15.7	Namibia	−7.5
South Africa	−13.5	Congo, Dem. Rep.	−5.8
Lesotho	−13.0	Korea, Dem. Rep.	−5.3
Zambia	−10.7	Malawi	−5.2
Swaziland	−10.4	Tanzania	−5.1

Source: World Bank (2001), *World Development Indicators 2001*, Washington, D.C. (www.worldbank.org/data/).

Today, in some African countries one in 10 children is an orphan.

In many countries, human development indicators have deteriorated substantially over the last decade, in large part because of AIDS. For example, average life expectancy in the Africa region fell from 50 years in 1987 to 47 years in 1999. In the countries hardest hit by the epidemic, such as Botswana, Zimbabwe, South Africa, and Lesotho, decreases exceeded ten years of life (table 1.4). Child mortality increased from 155 per 1,000 in 1990 to 161 per 1,000 in 1999, while it declined elsewhere in the world (table 1.5). Health care systems weakened by conflict, poor management, and the impact of AIDS cannot cope with traditional illnesses such as malaria and tuberculosis, which continue to kill millions.[7] Obviously, other factors such as conflict and poor governance contribute to the deterioration in living conditions in many African countries, but AIDS poses a special threat because it tends to attack people of prime working age, it is eventually fatal, and containing its spread has proved to be difficult.

Experiences vary

The discussion so far has focused mostly on global and regional averages, but these averages conceal very wide variations across and within countries during the 1990s. In some cases, conditions have worsened more severely than global or regional averages suggest; in others, conditions have improved dramatically and people live substantially better lives today than they did a decade ago. Even in Africa, there are countries that have broken the cycle of conflict, low growth, and poverty. Differences in growth rates partly explain different country experiences in poverty reduction; initial inequalities, and geographic and social barriers, also play an important role.

Differences between countries

Over the past decade, income poverty fell in countries that achieved rapid growth and rose in those that experienced stagnation or contraction. The global percentage decline in extreme poverty during the 1990s was driven by high rates of growth in countries with large numbers of poor people. Countries such as China, Bangladesh, India, and Vietnam made progress. China accounted for a fourth of the total number of the world's poor in 1990 and for less than one-fifth at the end of the decade, thanks largely to annual average per capita GDP growth of 9 percent over the decade. In Bangladesh, steady growth reduced the incidence of poverty during the 1990s, in contrast to the relative stagnation experienced in the 1980s. In India, the share of the population living in poverty declined moderately through the 1990s, but not sufficiently to reduce the absolute number of poor (as noted earlier, however, the Indian poverty data are subject to considerable uncertainty). In Vietnam, rapid growth in per capita expenditures, stimulated by agricultural diversification and overall economic growth, led to a decline in the incidence of poverty from 58 percent in 1993 to 37 percent in 1998.[8]

Countries that experienced crises saw income poverty increase significantly. The largest percentage increases in poverty over the decade took place in the countries of the former Soviet Union. In the Russian Federation, the breakup

TABLE 1.5

Trends in under-5 mortality, selected years, 1970–1999 (per 1,000)

Region	*1970*	*1980*	*1990*	*1997*	*1999*	*% Change 1990–1999*
East Asia and Pacific	126	82	55	47	44	−19
Europe and Central Asia	n.a.	n.a.	34	29	26	−22
Latin America and Caribbean	123	80	49	41	38	−23
Middle East and North Africa	200	136	71	58	56	−21
South Asia	209	180	121	104	99	−18
Sub-Saharan Africa	222	189	155	159	161	4
Developing countries	*167*	*135*	*91*	*87*	*85*	*−6*
OECD	*26*	*14*	*9*	*6*	*6*	*−26*

Source: World Bank (2001), *World Development Indicators 2001*, Washington, D.C. (www.worldbank.org/data/).

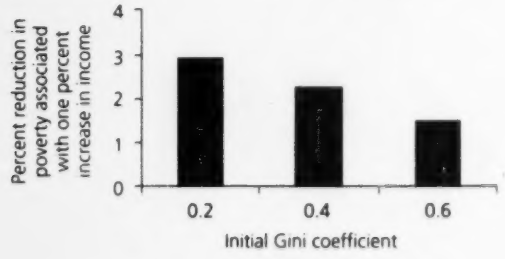
of the central planning system was accompanied by a steep fall in output and a sharp increase in inflation; poverty as measured by the national definition jumped from an estimated 11 percent during the Soviet period to 43 percent by 1996, and probably increased further with the 1998 crisis. Moldova, one of the countries hardest hit by the 1998 crisis and today one of the poorest countries in Europe, experienced a sharp worsening of poverty; the percentage of people living below the national poverty line increased from 35 percent in May 1997 to 46 percent in the fourth quarter of 1998.

A recent study on changes in poverty over time done jointly by the Bank and partners in the Strategic Partnership with Africa found similar results. Looking at the linkages between poverty indicators, reforms, and growth, the study identified three groups of countries. In those experiencing some sustained economic recovery and stability, poverty has fallen and inequality has not increased (Ethiopia, Ghana, Mauritania, and Uganda). Where growth has faltered, the incidence of poverty has remained mostly unchanged (Madagascar and Zambia). In countries where there has been economic decline, poverty rates have increased sharply, although mitigated by reduced inequality (Nigeria and Zimbabwe).

Differences within countries: initial inequalities, geographic and social exclusion

Inequality strongly influences the extent to which growth is effective in reducing income poverty. As figure 1.4 shows, high inequality in the distribution of income, as measured by the Gini coefficient, was correlated with lower reductions in the incidence of poverty for a given rate of growth in a sample of 65 countries in the 1980s and 1990s. Countries with low initial inequality (Gini coefficients around 0.2) were able to reduce poverty twice as much as countries with high inequality (Gini coefficients around 0.6)—1.5 versus 3 percent. High inequality reduces the impact of growth on poverty: the poor gain less from growth.

FIGURE 1.4
Initial income inequality and poverty reduction



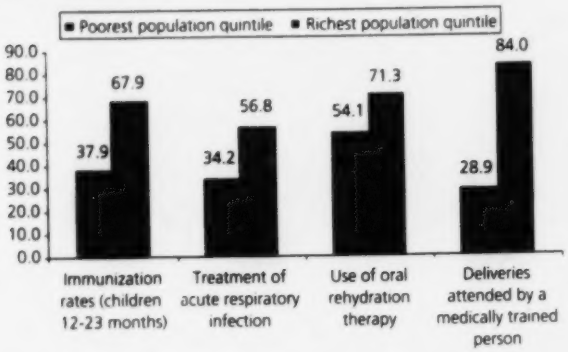
Source: World Bank (2000), *World Development Report 2000/2001: Attacking Poverty*, Washington, D.C., Figure 3.6.

Trends in inequality have varied across and within countries. For example, Malaysia saw declines in inequality during the 1980s and increases in the 1990s. Increases in inequality between urban and rural areas were observed in India and Bangladesh, where urban poverty appears to have declined twice as fast as rural poverty. Changes in growth rates appear on average not to be correlated with changes in inequality.[9] Korea and Indonesia experienced rapid growth during the 1980s with little change in inequality, while China experienced rapid growth in the 1990s with large increases in inequality—notably between the poorer and more rural western provinces and the more industrialized east. The African study on poverty dynamics mentioned above found stability of inequality during episodes of both growth and recession. Exceptions to this pattern are the transition countries of the former Soviet Union, where sharp declines in production were accompanied by dramatic increases in inequality both within and across regions. In sum, the evidence to date is not sufficient to understand trends in inequality over time and to project changes in inequality, but it is clear that increases in inequality can slow progress in poverty reduction.

In addition to income inequality, there are often major inequalities within countries in access to services and indicators of human development. Data from demographic and health surveys for the 1990s indicate for example that the poor are less likely to obtain health care. In 40 countries, only 29 percent of births among people in the bottom 20 percent of the distribution were attended by medically trained health staff, compared with 84 percent for those in the top 20 percent. Over the same period, only 34 percent of the poor suffering from acute respiratory infections were treated in a health facility, compared to 57 percent of the non-poor (see figure 1.5).[10]

Geographic and social exclusion play a role in determining inequalities. In many countries, people living in remote areas, members of minorities, and indigenous groups have higher rates of poverty and lower social indicators than the average. In Brazil, for example, more than 60 percent of the country's poor live in the mostly indigenous North-East of the country. In the Europe and Central Asia region, recent poverty assessments highlight striking levels of poverty among the socially marginalized Roma population. In Bulgaria, over 84 percent of the Roma lived below the poverty line in 1997, compared to 36 percent nationally; in Hungary, one-third of the long-term poor are Roma, although they make up only five percent of the population.[11]

FIGURE 1.5
Poor-rich inequalities in access to different types of health care



Source: Country Reports on Health, Nutrition, Population, and Poverty (www.worldbank.org/poverty/health/data/index.htm).

While the status of women has improved greatly in the last century, women continue to suffer from exclusion and unequal rights, limited access to resources, and lack of voice, all of which limit their ability to escape poverty. Women seldom have the right to own land independently, and often lose access to land if their marriages end. Women's and girls' levels of education continue to be lower than men's—in South Asia for example women have only half as many years of schooling—and pay levels in wage jobs are lower. Women also have limited opportunities to express their needs and views in public settings—they are greatly underrepresented in parliaments and high-level government positions. In community meetings, social constraints mean that they often do not speak up. Experience shows that reducing gender inequality contributes to reducing poverty.[12]

The variety of experiences across and within countries points to the importance of both economic and social factors in determining progress and the need to apply poverty reduction strategies that take into account the multidimensional nature and multiple causes of poverty.

Notes

1. The Millennium Declaration Goals included in the declaration signed by over 150 Heads of State or Government in September 2000 in New York expand on the International Development Goals (see IMF, OECD, UN and World Bank (2000), *A Better World for All*, www.paris21.org/betterworld). The targets set are important for well-being, but they are incomplete in their coverage of the empowerment and security dimensions of poverty, where work is still required to define indicators.

2. Long-term growth for developing countries is only marginally lower than in last year's base-case scenario—3.6 percent versus 3.7 percent. This is because, while short-term prospects are heavily influenced by the currently depressed global environment, long-term trends depend more directly on economic fundamentals, such as trends in savings, investment, population growth, trade, productivity, and policy changes.

3. World Bank (2001), *Global Economic Prospects and the Developing Countries 2002*, Washington, D.C. (www.worldbank.org/prospects/gep2002/).

4. See the scenarios developed for the 2001 edition of GEP: World Bank (2000), *Global Economic Prospects and the Developing Countries 2001*, Washington, D.C. (www.worldbank.org/prospects/gep2001/).

5. UNAIDS AIDS Epidemic Update (December 2000), available at http://www.unaids.org/wac/2000/wad00/files/WAD_epidemic_report.htm.

6. See UNAIDS/WHO (2000), *AIDS Epidemic Update: December 2000*, (http://www.unaids.org/epidemic_update/report_dec00/index_dec.html). The country data are from the *WDI 2001* (data for 1999).

7. Malaria affects an estimated 300 million people worldwide and kills at least one million people each year, three-quarters of them children under five. Sub-Saharan Africa suffers the highest exposure rates—9 out of 10 cases of malaria occur there—followed by parts of Asia and Latin America. It has been estimated that malaria reduces GDP growth by 0.25 percent per year on average, and by 0.55 percent per year in Sub-Saharan Africa (see F. Desmond McCarthy, Holger Wolf, and Yi Wu (2000), "Malaria and Growth," Policy Research Working Paper 2303, Washington, D.C.: World Bank, available at wbln0018.worldbank.org/research/workpapers.nsf/ policyresearch?openform).

8. Based on the national poverty line.

9. See M. Ravallion (2000), "Inequality Convergence in the Developing World," Washington, D.C., World Bank.

10. See also table 2.7 in *World Development Indicators* 2001.

11. See World Bank (2000), *Making Transition Work for Everyone: Poverty and Inequality in Europe and Central Asia*. Washington, D.C.

12. See World Bank (2000), *Engendering Development*, Policy Research Report, Washington, D.C.

CHAPTER 2
Operationalizing the *WDR 2000/2001* through Broader Understanding and Sharper Focus

The trends in poverty indicators discussed in chapter 1 have challenged the development community to reflect on what has worked and what has not worked in its support to developing countries, and to broaden its approach to poverty reduction. This chapter begins by reviewing the work on aid effectiveness and the *World Development Report 2000/2001* that together provide the intellectual underpinnings for a deepening of poverty reduction strategies. It then moves on to describe how the Bank's strategic directions and business model have evolved to respond to the challenge of operationalizing the *WDR 2000/2001*, and how Bank instruments, such as Country Assistance Strategies, Sector Strategies, and analytical work, are evolving in line with the model. Meanwhile, the Bank has also refined its support for global public goods in the context of poverty reduction and the *WDR 2000/2001* framework, as outlined in the final section.

Intellectual underpinnings

Spurred by the experience of the 1990s, research has focused both on what makes aid effective and on the policies and reforms needed to reduce poverty.

Lessons on aid effectiveness

Recent work on aid effectiveness has confirmed that aid has had the most impact in countries that have a strong commitment to reforms designed to promote growth and reduce poverty. Commitment needs to be widely shared within countries. A recent study of ten countries in Africa highlights how successful reformers, such as Uganda, have put consultative processes in place that result in broad consensus on reforms. In these cases, support extends beyond key government officials to civil servants, community leaders, and researchers.[1] It has been calculated that, if current aid were directed to countries with high poverty rates that also have effective policies and institutions, it could lift twice as many people out of poverty a year (19 million people instead of 10 million).[2] Where commitment to reform is lacking, aid cannot "buy" it. The same study on Africa shows that attaching conditionality to aid was not effective in leading to policy changes in non-reforming countries.

Thus, recent aid effectiveness research suggests a differential approach to the provision of assistance based on country commitment. Where there are well-designed poverty reduction strategies supported by broad commitment, policy-based and sector-wide support can deliver aid effectively within the context of a country's budgetary processes, while individual projects can be used to pilot new approaches, learn key lessons on capacity building, and find ways to strengthen service delivery. For countries not committed to reforms, the focus may need to be more on analytical and advisory services than on financial aid.

Aid effectiveness can also be compromised by factors other than lack of commitment to poverty reduction, including donors' lack of coordination and conflicting advice, both of which overburden government staff. Aid is more effective when donors support a country's poverty reduction strategy in a coordinated way, based on their comparative advantage, working in partnership with the government and each other.

The framework of the World Development Report 2000/2001

The *WDR 2000/2001* looked in depth at the policies and reforms needed to achieve poverty reduction. Based on a review of the experience of the 1990s and extensive research on the nature and causes of poverty, the *WDR* broadened the concept of poverty and advocated a multidimensional approach to poverty reduction. It presented an expanded framework with actions at the country and global levels in three interconnected areas—opportunity, empowerment, and security—corresponding to three dimensions of poverty.[3]

Opportunity. Crucial to the creation of opportunities are actions that support healthy economic growth. As noted in chapter 1, GDP growth is positively correlated with reductions in income poverty as well as with improvements in social indicators. Macroeconomic stability, effective structural and regulatory policies, and good management of public expenditures all contribute to creating a sound climate for private investment, which in turn can spur GDP growth and the creation of gainful and productive employment. Bangladesh, China, and Vietnam, for example, all experienced fast growth (with strong agricultural growth) and significant poverty reduction in the 1990s. But growth alone is not enough. The poor and vulnerable may not be able to share in its benefits—for example, if they lack the good health and the skills required to find gainful employment, or if the areas in which they live are cut off because of poor infrastructure. Thus, investments in health, education, rural water, and infrastructure, delivered by institutions that effectively serve the poor, are necessary to ensure that the benefits of growth are broadly shared and that inequalities in income, assets, and access do not increase.

Empowerment. Empowerment means strengthening the capacity of poor people to affect decisions that have a bearing on their lives, and removing barriers that prevent them from engaging effectively in political, social, and economic activities. Empowerment is important in itself: lack of voice and representation are identified by many poor people as a dimension of poverty. It is also important because it can improve the extent to which policies and institutions respond to the needs of the poor, including by creating a powerful voice against corruption. Thus actions to support empowerment are an essential part of a poverty reduction strategy.

Security. Vulnerability to shocks such as illness and injury, economic downturns, and natural disasters is an important dimension of poverty. Poor countries and people are typically less able to withstand shocks than the better off. They are also less able to bear risk, which in turn contributes to limiting their opportunities by leading them to choose low-risk, low-return activities. Actions that reduce the likelihood of shocks and help manage the consequences of shocks when they occur so that poor households do not lose productive assets and poor countries can recover more quickly are also an integral part of poverty reduction strategies.

The *WDR* stressed that sustainable poverty reduction depends on mutually reinforcing initiatives in all three areas and that the design and sequencing of actions to spur growth and reduce poverty in a given country depend on its specific economic, social, and political environment. There can be no single "one size fits all" prescription for effective poverty reduction. Determining what might be the most effective policies in a given country context can best be achieved through broad consultative processes that bring out the needs of different groups and help forge consensus on strategies for action, informed by careful analysis of the nature and causes of poverty.

The *WDR* also emphasized that actions at the country level need to be complemented by global initiatives to address constraints that individual countries alone cannot remove. This requires collaborative action by industrial countries, international organizations, private companies, the research community, and other global players across a broad spectrum. The agenda for international action includes maintaining economic and financial stability; opening up markets in industrial countries and reducing subsidies; and providing aid and debt relief in ways that strengthen rather than undermine country ownership. The provision and maintenance of global public goods, such as medical and agricultural research, information, environmental commons, and the international financial architecture, is also critical.

The development community is increasingly reflecting in its work the lessons learned on aid effectiveness and the broadened concept of poverty and the framework for action put forth in the *WDR 2000/2001*—for example in the Guidelines on Poverty Reduction recently endorsed by the Development Assistance Committee of the OECD. The main implications of this body of work for aid are:

- *Country ownership and participation.* Aid should support countries' poverty reduction strategies developed through participatory processes that ensure broad ownership.
- *Creating opportunities.* Special attention needs to be paid to supporting pro-poor growth and market opportunities for the poor, as well as for women and other disadvantaged groups, and to gaining a better understanding of the linkages between policies and poverty impacts.
- *Empowering the poor.* This is a relatively new and challenging area for donor involvement. Supporting empowerment includes working to improve governance and accountability to citizens, strengthening the participation of the poor in local decision-making, and supporting the informal institutions upon which the poor rely. Donor assistance should also help countries to reduce and remove exclusionary social and institutional barriers—all while respecting national sovereignty and the functioning of existing representation mechanisms.
- *Increasing security.* Risk management—at the macroeconomic, financial, and sectoral levels, as well as at the household level—needs to be part of poverty reduction strategies, rather than an afterthought.

- *Global actions to eliminate poverty.* Donors need to support selective action at the global level and work to ensure that their own policies in various areas (particularly in the area of trade) are consistent with the objective of reducing poverty. In addition, rich countries need to ensure increased participation of poor countries in global fora and decision-making processes.
- *Results and accountability.* Donors agree that, as partners in attacking poverty, they need to be more accountable in achieving and demonstrating results. This implies greater efforts than hitherto on monitoring and evaluating impacts and greater transparency on activities and results.

The remainder of this chapter discusses how the World Bank is applying these lessons.

The World Bank's strategic framework and country business model

The Bank has taken up the challenge of reflecting the implications of the aid effectiveness research and the *WDR* in its operations. This effort has been ongoing for some time, as the analytical work progressed, and has in turn been influenced by ongoing thinking. A strategic framework and country business model that foster ownership and partnership have been developed.

The strategic framework and country business model

A Strategic Framework Paper (SFP) designed to guide Bank work over the next 3–5 years was endorsed by the Bank's Executive Directors in January 2001. The SFP identifies two priority areas for support to member countries, both of which will help to translate the principles of the *WDR* into operational actions and should lead to more rapid progress towards the internationally agreed development goals.[4] Actions in these areas are inter-related, and capacity building is emphasized in both.

- *Building the climate for investment, jobs, and sustainable growth.* Sustainable and equitable growth is vital for generating the jobs and the resources for services that are crucial for poverty reduction. Growth depends fundamentally on creating a positive investment climate for micro, small, medium, and large firms—including better governance, appropriately supportive institutional and policy structures, and the necessary infrastructure—and on reducing volatility and risks, including the risk of financial crisis.
- *Empowering poor people to participate in development and investing in them.* Empowering poor people and investing in their human capital enables them to develop their capabilities and contribute to and benefit from growth. Basic services, especially education and health, are a priority, as are building poor people's assets and protecting those who are most vulnerable.

The SFP identifies work at the country level as the Bank's primary focus, while also recognizing a role for Bank Group support for poverty reduction action at the global level. In line with the recommendations of the *WDR 2000/2001*, Bank work at the country level is increasingly adapted to country-specific situations and institutions; increasingly grounded in sound, country-specific poverty diagnoses, reflecting the multidimensional aspects of poverty; and increasingly aligned with nationally-owned country strategies for effective poverty reduction. In addition, given the Bank Group's scarce resources, the SFP also outlines criteria for selectivity designed to maximize the impact of its actions on poverty reduction, within countries, across countries, and at the global level. It stresses the need to take into account specific competencies and comparative advantage when planning activities, and it calls for actions to reduce the costs of doing business with the Bank, including actively seeking greater policy harmonization with other multilateral development banks.

The principles outlined in the SFP reaffirm the Bank's business model. The country business model, endorsed by the Development Committee at its September 2000 meeting in Prague, is based on four pillars: the country's vision of its development process; the Bank's diagnosis of the country's policies and institutions; the Bank program of support informed by the diagnosis and designed taking into account resources, constraints, and the role of other partners; and a focus on results. The business model refutes the idea of a "one size fits all" approach and stresses that Bank Group support is to be tailored to each country's individual circumstances and needs. The business model also incorporates the SFP's emphasis on greater selectivity, implying careful choices about how to deploy scarce resources and competencies within and across countries. While the same approach applies to all countries, its implementation differs for IDA and IBRD borrowers.

Implementation in low-income countries

Low-income countries that receive assistance from the Bank's concessional lending affiliate, the International Development Association (IDA), have been articulating their vision of development through poverty reduction strategies.

These strategies are country-owned and based on broad participatory processes; are partnership-oriented (not only with in-country stakeholders but also with external partners); are founded on a long-term, comprehensive diagnosis that takes account of the multidimensional nature of poverty; and clearly identify and monitor priority actions expected to yield results. They are captured in national Poverty Reduction Strategy Papers, which are being presented to the Boards of IDA and the Fund. Along with Joint Staff Assessments by IDA and IMF staffs, Poverty Reduction Strategy Papers provide the basis for IDA assistance, IMF support under the Poverty Reduction and Growth Facility, and debt relief under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative. Because the process of preparing country-owned PRSPs can be complex and lengthy, shorter and simpler Interim PRSPs (I-PRSPs) have been prepared by countries working on full PRSPs, in order to help speed their access to concessional assistance and debt relief. It is expected that full PRSPs will be prepared about every three years, supplemented yearly by annual progress reports, and will form the basis of a country's relationship with its external partners. One of the major benefits expected from the PRSP approach is improved donor coordination, including greater harmonization of donor policies and procedures.

Reflecting the vision articulated in poverty reduction strategies, Bank diagnostic work for low-income countries is increasingly focusing on poverty analysis, monitoring and evaluation, that are critical for the success of poverty reduction strategies. In particular, the low-income business model envisions two sets of integrative analyses as key inputs to JSAs, to the CAS, and to PRSCs, where appropriate: social, structural, and sector analysis, and fiduciary assessments (see box 2.1). The PRSP approach also lays much greater emphasis than in the past on supporting diagnostic work done in countries, to foster capacity building and greater ownership of findings and policy choices.

The country's vision for development informs the Bank's program.[5] In effect, and in line with the principles set forth in the Comprehensive Development Framework, the approach is designed to reverse the traditional aid relationship by putting the country in the lead. IDA Country Assistance Strategies (CASs), that present IDA's business plan in support of the country's poverty reduction strategy, are increasingly based explicitly on a country's PRSP. The SFP's objective of selectivity at the country level is achieved by supporting countries' priority actions for poverty reduction as expressed in their PRSPs and as assessed through Bank diagnosis, taking into account the respective comparative advantages of IDA and other partners.

BOX 2.1

Diagnostic Economic and Sector Work

Social, structural, and sectoral analysis. A first key analytical input into Bank work in a country is an analysis of the country's social, structural, and key sectoral policies. The analysis would focus on how social, structural, and sectoral public action can have an impact on the multiple dimensions of poverty, including opportunity, empowerment, and security, and identify policy and institutional development priorities needed for sustainable growth and progress towards achieving the development goals. The analysis would also review the positive and adverse impacts that the priority actions may have on poor people and other vulnerable groups, and on the environment, and assess the capacity to mitigate undesirable impacts. In-depth analytical work, such as poverty assessments and social and environmental studies, would inform the analysis, which would in turn inform Joint Staff Assessments and Country Assistance Strategies.

Fiduciary assessment. A second key analytical input is an integrative analysis of the country's public financial accountability arrangements. This analysis would cover public expenditure, procurement, and financial management systems and provide insight into governance and accountability, which are now recognized as critical for poverty reduction. The assessment would normally focus on: (a) the comprehensiveness and transparency of the budget, with an appropriate focus on poverty-reducing public spending; (b) the adequacy and transparency of systems to guide and monitor budget implementation, including procurement; and (c) the adequacy and transparency of systems for monitoring, reporting on, and auditing public financial flows. Such fiduciary analysis would identify action plans to address remaining weaknesses.

As countries move forward with the preparation and implementation of poverty reduction strategies, IDA lending instruments are increasingly tailored to support the country's strategic priorities, as set forth in the CAS. For example, Poverty Reduction Support Credits (PRSCs) link IDA assistance to priority policy reforms and public actions outlined in the PRSP. A PRSC program typically involves a series of individual operations (individual PRSCs) that together support the country's medium-term development and reform program aimed at implementing its poverty reduction strategy. PRSCs are typically based on up-front actions that demonstrate progress in reforms and towards defined poverty outcomes. Individual PRSCs will be phased in line with the government's annual budget and policy cycle to the extent practicable. Over time, PRSCs are expected to become an increasingly important element of overall IDA

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support for the poverty reduction strategies of low-income countries with strong programs.[6] Other instruments, including investment projects, will also increasingly focus on the objectives set forth in the PRSP.

A key element of the low-income country business model is the provision of enhanced debt relief, as many of the world's poorest countries have been hampered in their growth and poverty reduction efforts by unsustainable burdens of external debt. By September 2001, 23 countries—more than half of those qualifying under the Enhanced HIPC Initiative—had reached their Decision Points, and two (Bolivia and Uganda) had reached their Completion Points, thus obtaining irrevocable debt relief. The decrease in external indebtedness provided to the 23 countries amounted to about $33 billion in net present value terms, a 61 percent reduction from the pre-relief level of $54 billion.

Debt service savings are also substantial, about $1.1 billion annually, and interim assistance provided by the Bank and others at the Decision Point offers countries the opportunity to increase spending in the priority areas identified in Interim and full PRSPs. There are indications that additional resources are being allocated to health and education, HIV/AIDS programs, and rural infrastructure. Since debt savings are only a fraction of public resources, it is of great importance that PRSPs focus on the whole public expenditure program, to ensure that all foreign and domestic resources are spent well. Work on strengthening public expenditure management is ongoing in most PRSP countries.

Implementation in middle-income countries

The Bank's approach in middle-income countries (MICs), that are eligible for IBRD lending and have some access to financial markets, reflects the issues confronting these countries. There are a number of reasons for continuing Bank engagement in MICs. First, many of the world's poor live in MICs—40 percent of those living on less than $2 per day, if one excludes China and countries such as India that are eligible for both IBRD and IDA lending, and nearly 80 percent if these countries are included. Second, many MICs also have large numbers of people who are vulnerable to economic shocks or suffer from social exclusion, or include specific regions or states that are very poor. Third, what happens in middle-income countries also has important effects on low-income countries: for example, middle-income countries can provide important trade opportunities for poor countries, but can also be sources of financial instability, environmental problems, and communicable diseases—issues that the Bank is also committed to address through its support for global public goods. Fourth, many MICs face obstacles to faster growth and poverty reduction related to weak social, structural, and sectoral policies and institutions—areas in which the Bank Group can help, based on its accumulated experience. Fifth, although a substantial number of MICs have access to private flows of resources, private markets do not always have a sufficiently comprehensive view of countries' development progress, or the willingness to undertake long-term lending to MICs at appropriate maturities. Relatedly, MICs can be highly vulnerable to fluctuations in financial flows. The Bank can help with these problems through its own lending (which in turn can help "crowd in" private flows) and through advisory services and technical assistance on reducing the risks of volatility and on setting up coping mechanisms for periods of high volatility.

Several principles guide Bank involvement in MICs. First, the Bank's priority in these countries, as in low-income countries, must be to support national poverty reduction efforts. Second, since Bank financing in MICs is often only a small share of the resources available to these countries, its support needs to be highly selective and designed to serve as a catalyst for important policy and institutional change, for stable and sustainable private flows, and for support from other development partners. Third, MICs are very diverse, in terms of income levels, size, capacity, and needs; this puts a special premium on the need to tailor Bank assistance to individual country conditions.

The implementation of the country business model in MICs, as endorsed by the Development Committee in April 2001, parallels implementation in low-income countries in several key respects.[7] The Bank's business program, outlined in the CAS, supports the country's own articulation of its development vision and agenda. Core diagnostic Economic and Sector Work (as outlined in box 2.1), along with additional analytical work as needed, provide the underpinnings for the Bank's engagement. The Bank's program, depending on the country and its needs, includes both investment lending and adjustment lending, set in the context of a sound program of policy and institutional development and capacity building, along with strong government commitment.[8] Programmatic adjustment lending—a series of operations under a clearly defined and monitored medium-term framework—could provide an effective vehicle to support poverty reduction efforts in countries with good track records and sound and transparent fiduciary and policy frameworks. Finally, a new feature of Bank support for MICs is an option for deferred draw-down for policy-based loans that will give countries the flexibility to access Bank financing if and when needed.

Strengthening the poverty focus of Bank instruments

The Bank's strategic framework and country business models are increasingly been reflected in Bank country and sector strategies, operational policies and guidance to staff, analytical work, and other Bank instruments. This section and the next look at how such instruments are evolving to reflect the stronger focus on poverty and the approach of the *World Development Report*.

Country assistance strategies

In line with the low- and middle-income business models, Country Assistance Strategies—the key document laying out the Bank's strategy to assist countries through policy advice, analytical work, lending, and other instruments—have come to reflect more closely over the last two years countries' own development and poverty reduction strategies, and a number of CASs have drawn explicitly on the intellectual framework of the *WDR 2000/2001* (see box 2.2).

As in past years, the Poverty Group reviewed CASs to assess the degree to which they focused on poverty. Have CASs improved over time? Using criteria comparable to those used to review fiscal 1998/99 CASs, there has been an improvement.[9] Fiscal 2000/2001 CASs performed particularly well in the areas of poverty diagnosis and participation. They were better aligned than in past years with national poverty reduction strategies, and almost all of the CASs that reflected Interim PRSPs rated satisfactory or better on their overall poverty ratings, suggesting that the PRSP approach may not only strengthen the poverty focus of national strategies but also that of Bank assistance strategies (and possibly their effectiveness). CASs scored less well in the area of monitoring and evaluation.

Sector strategies

Just as country strategies define Bank/IDA strategy in individual countries, based on that country's vision, sector strategies lay out the strategy for a particular sector, across all countries. A recent stocktaking exercise found that the sector strategies prepared to date did well in setting the Bank's strategy, built on lessons of experience, and incorporated the outcome of wide participatory processes. In the last couple of years, poverty reduction, broadly intended in line with the international development goals, is taken as the key objective to which each sector strategy contributes, and several recent sector strategies use the *WDR* framework of opportunity, empowerment, and security as an organizing principle (see Annex I) and discuss how progress in achieving the goals can be made. Box 2.3 illustrates how the new thinking informed the development of the new Environment Sector Strategy.

BOX 2.2

Aligning CASs with country strategies: Brazil, Ghana, Mozambique, Indonesia

Brazil (fiscal year 2000). The CAS from Brazil, a middle-income country, is very clear in articulating how the government's program will reduce poverty. It analyzes in detail the expected impact on the poor of growth strategies, reforms to labor legislation, greater access to education, health services, housing and physical assets, and improved effectiveness, efficiency, and targeting of social spending. The CAS links government strategies with the diagnosis of poverty and expected poverty outcomes.

Ghana (fiscal year 2000). Part I of the CAS, which provides a detailed account of the country's poverty reduction strategy, focusing on social sector policies and expenditures, accelerated agricultural growth, improved infrastructure linkages, the environment, and private sector development, was written by the government and was a draft of the country's I-PRSP (Ghana is classified as a low-income country). It also presented monitoring indicators and provisional targets for the year 2003 (for example, the proportion of people below the poverty line is expected to fall from 29 to 25 percent in 2003). The rest of the CAS presented the Bank's business plan to support the government's program. Ghanaian officials were present by videoconference when the CAS was discussed by the Bank's Board.

Mozambique (fiscal year 2001). The Mozambique CAS support the poverty reduction strategy of the government, the Action Plan for the Reduction of Absolute Poverty, also reflected in the I-PRSP. The Bank strategy centers on three pillars: increasing economic opportunity in ways that will have the maximum impact on reducing poverty, even in the short term; improving governance and empowerment; and supporting enhancements in human capabilities.

Indonesia (fiscal year 2001). The Indonesia CAS, which was informed by extensive consultations with civil society organizations, identifies Indonesia's development priorities in line with the *WDR's* three pillars for poverty reduction: promoting economic opportunity; empowering the poor; and enhancing the effectiveness of the social safety net. The CAS identifies improvements in governance—including anti-corruption and decentralization—as both the critical challenge and the key opportunity for Indonesia. The lending program focuses on investment projects that will deliver better services to the poor through local governments that have promoted reform and community empowerment, thus rewarding those regions that undertake pro-poor policies.

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BOX 2.3

Rethinking environmental activities through a poverty lens

In the spring of 1999, the Bank began to prepare an environmental strategy. Previously, environmental activities had two overriding objectives: applying safeguard policies to minimize negative environmental impacts of Bank investments, and helping countries address their most pressing environmental problems. In addition, the Global Environmental Facility gave countries grants to address problems with global significance. Most projects aimed to protect human health, but not specifically the health of the poor. Many activities have likely benefited poor people, often substantially, but since this was seldom the primary objective it was rarely documented.

At the start, the Bank's Environment Board asked what would be the implications for Bank activities of focusing the environmental agenda on reducing poverty. A background study showed that environmental conditions contribute significantly to each of the dimensions of poverty highlighted in the *WDR 2000/2001*. About 20 percent of illness and death in poor countries can be attributed to environmental conditions, with the greatest impacts on the poor. Poor people depend disproportionately on natural resources for subsistence, particularly in rural areas. And the poor are especially vulnerable to natural disasters, including those related to global climate change.

The background paper also analyzed the Bank's environmental portfolio and found that many investment projects did have benefits for the poor, but that few documented those specific benefits. The paper concluded that most types of environment projects could be re-designed to increase benefits to poor people, but that a strictly pro-poor focus would imply a shift away from some areas (such as industrial pollution) and toward others (such as environmental health and natural resource management).

The consultations spurred an in-depth discussion of poverty-environment linkages, which in turn influenced work programs and operations in sector units. Projects at an early stage of design began to place greater focus on addressing problems of major concern to the poor. For example, the Armenia Environment Project was redesigned. Originally it had focused on the country's most serious environmental problems: threats to biodiversity, problems with the quality of surface water, and areas where deforestation was linked to soil erosion. The new design emphasized improving conditions in areas where poor rural people lived by focusing on poor drinking water, unreliable irrigation water and poor quality land. Many of the activities remained the same, but they were undertaken in different parts of the country, with a changed emphasis and a new set of monitoring indicators. Regions also developed new lines of business; for example, in both South Asia and Latin American and the Caribbean stronger efforts are underway to address indoor air pollution caused by cooking and heating with dirty fuels in poorly ventilated houses. The stronger focus on poverty is also being translated into new training activities: the World Bank Institute has redesigned its training for Bank staff and clients, and its programs now include new courses on rural poverty and environment, that help clients incorporate environmental issues into their PRSPs; on "Sustainable Strategies for Fighting Poverty"; and on poverty-environment linkages.

In other examples, the Public Sector Strategy focuses on the key issue of developing effective and accountable institutions, crucial for enhancing opportunities and empowerment of the poor. The Urban Sector Strategy emphasizes the need to reduce transaction costs for small and informal sector firms, measures to enhance inclusion of all social groups, and accountability, integrity, and transparency in local government. The Financial Sector Strategy recognizes the key role of the financial sector in promoting opportunity for poor people by giving them access to financial services, and in strengthening security by reducing the risk of financial crises. The Social Protection Strategy aims at operationalizing the recommendations of the "security" section of the *WDR 2000/2001* through actions that support risk mitigation and coping strategies. The Gender Mainstreaming Strategy outlines ways in which the Bank can better integrate gender into its work to help create a global environment where gender barriers no longer impede economic growth and poverty reduction, and where men and women have equal voice and access to development. The stocktaking exercise found that past sector strategies did less well in influencing the CAS process and presenting implications for implementation, and these areas are the focus of current attention.

Operational policies and guidance to staff

Operational Policies (OPs) and Bank Procedures (BPs) provide direction to staff on key Bank instruments and operations. The existing overarching operational policy on Poverty Reduction is being converted to an OP/BP format to clarify its mandatory aspects and to better align it with the *WDR 2000/2001* framework. A sourcebook on empowerment is currently also under preparation. Meanwhile, guidance to staff has been provided on the implementation of the new low-income country business model, for example through guidelines for Joint Staff Assessments of PRSPs and interim guidelines for Poverty Reduction Support Credits (PRSCs). New draft guidelines for public expenditure reviews are also available.

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Improving poverty analysis, monitoring, and evaluation

As in the past, Bank activities continue to support analytical work on poverty, poverty monitoring in countries, and evaluation efforts. These activities are acquiring even more importance in the context of a stronger emphasis on achieving results on the ground in terms of the broad multifaceted approach to poverty reduction described in the *WDR 2000/2001*.

Analytical work to understand poverty and assess expected impacts of policies

Much analytical work on poverty has been done over the last two years, in the form of both poverty assessments conducted by the Bank in partnership with national authorities and other types of analysis. Analytical work increasingly takes a broad view of poverty by incorporating the dimensions of voicelessness and vulnerability and looking at the poverty and social impacts of policies.

Poverty assessments. Thirty-one poverty assessments were completed in fiscal years 2000–2001.[10] Several examined aspects of the opportunity dimension of poverty reduction discussed in the *WDR 2000/2001*, specifically why growth had not been more pro-poor (box 2.4).

Other poverty assessments looked at issues related to the security dimension of the *WDR 2000/2001* framework, and identified weakness in existing arrangements for protecting the poor and vulnerable (box 2.5).

The Argentina and Tajikistan assessments innovated by including not only quantitative but also qualitative analysis of poverty, based on studies on the perceptions of the poor. Encouraging the poor to speak out about their experience and needs helps to empower them as active contributors to poverty reduction initiatives, in line with the *WDR 2000/2001* framework. Other interesting examples of combined qualitative and quantitative approaches include a study on the low levels of social capital in Argentina that uses quantitative methods to look at a leading social concern, and work on the upcoming Guatemala poverty assessment, where the samples, questionnaires, and analyses of the quantitative Survey of Living Conditions and the qualitative Study of Poverty and Exclusion are linked.[11] In Brazil and Vietnam, participatory work done in the first half of 1999 for the *Voices of the Poor* study informed follow-up poverty analysis. In Brazil, the study served as an input into preparation of the Brazil Country Assistance Strategy (CAS), finalized in March 2000, and the draft poverty assessment, Attacking Brazil's Poverty. The assessment stresses the insecurity, stigma, and exclusion experienced by inhabitants of favelas and highlights poor people's ratings of the police as the worst local institution and high regard for the Catholic Church and community groups. In Vietnam, Voices of the Poor influenced the report *Vietnam: Attacking Poverty*, which was discussed at a round-table meeting with donors in December 1999 and completed in fiscal year 2000.

BOX 2.4

Selected findings of poverty assessments on improving opportunity for poor people

The *India* study (which is broader than a traditional poverty assessment) noted apparent slow progress with poverty reduction in recent years despite high GDP growth, and found that this could either reflect statistical inconsistencies or, more worryingly, the possibility that growth has became less effective in reducing poverty in the 1990s. The report identified a number of factors that might explain lack of progress in reducing rural poverty: poor infrastructure, inefficient social services, and poorly-targeted poverty programs in the poorer states, as well as weaknesses in governance and institutions.

The *Swaziland* assessment found that rapid growth in the past had not benefited large sections of the population because of high income inequality, and identified labor-intensive growth in agriculture as having the potential to benefit the poor. The *Turkey* study addressed the problem of insufficient employment generation, due either to slow economic growth or growth that is not sufficiently labor-intensive. The *Vietnam* report identified job creation in the rural off-farm sector and in urban areas as key to achieve the goal of halving income poverty by 2015.

In *Cambodia*, progress was made in expanding schooling and in reconstructing the health system, but poor people's access to education and health services remains extremely low. The assessment suggested that the government should support both demand and supply of services, for example, through both need-based scholarships for the poorest students and more schools in poor rural areas. In the *Philippines*, the government was reasonably successful in protecting overall social spending levels during the East Asian crisis, but school drop-out rates for poorer households remain high and support is needed to promote access of poor students to universities.

Other analytical work on poverty. Formal country poverty assessments comprise only a fraction of the analytical work on poverty undertaken by the Bank alone or with partners. Other work with a strong poverty focus includes cross-country studies, sectoral studies, and informal and research activities. Some recent examples of this work—much

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BOX 2.5
Selected findings of poverty assessments on enhancing security for poor people

The social protection system in *Turkey* fails to reach the most vulnerable households, mostly because the system is linked to holding a formal sector job. The educational system also does not provide enough access to the poorest, especially with respect to secondary education, and needs to be made more accessible to rural girls.

In *Moldova*, the pension and social assistance systems were found to be inequitable; reform efforts would thus need to focus on improving not just cost-effectiveness but also coverage of the poor.

In *Argentina*, government programs that target the poor were found to work well but to have limited coverage: only 25 percent of poor families receive some form of direct public assistance. Higher education spending was found to be highly regressive, as most students in public universities receive free education regardless of income levels.

BOX 2.6
Poverty and inequality in Europe and Central Asia

The report on *Making Transition Work for Everyone. Poverty and Inequality in Europe and Central Asia* (World Bank, 2000c) traces the consequences of the economic shock resulting from the collapse of the political system in the former Soviet Union and Eastern and Central Europe. It shows that the increase in poverty and inequality was much larger and more persistent than had been foreseen at the beginning of the transition period. It provides a detailed analysis of the nature of poverty in transition countries, the factors that have contributed to diverse outcomes across the region, and the institutional and policy issues involved in raising living standards and reducing social exclusion. Together with a companion volume on corruption in transition economies (*Anticorruption in Transition: A Contribution to the Policy Debate*, World Bank 2000d), the report presents a striking picture of the extent to which poor people are hurt by corruption and the capture of the state by a wealthy and corrupt elite.

The report has several strengths. It updates and supplements various studies and reports on poverty done by other institutions, and makes a strong effort to present comparable data for all the countries in the region from both quantitative and qualitative sources. By adopting a regional perspective, the study is able to highlight the very negative consequences of transition for large segments of the population where its conclusions might have been sensitive if they had been confined to individual countries. The report also takes a careful look at the education and health sectors, which despite their notable achievements in the past, are under strain and are increasingly working to the detriment of poor families and the long-term economic mobility of their children.

The report was also very timely: it made a crucial contribution to the *World Development Report 2000/2001* (while at the same time being informed by the thinking behind that report), and it was ready in time for the Annual Meetings held in Prague in September 2000. In addition, it is now serving as a resource for policymakers and donors in the development of PRSPs and donor assistance strategies.

of which adopts innovative approaches reflecting the *WDR 2000/2001*—are given below.

Recent cross-country studies include a ground-breaking report on poverty and inequality in the ECA transition economies (see box 2.6), regional studies for Latin America that focus on issues of poverty, inequality, pro-poor growth, and security—*Securing Our Future in a Global Economy*, *Infrastructure and the Poor*, and *Social Expenditures and the Poor*; and regional studies for Africa, including the report *African Poverty at the Millennium: Causes, Complexities and Challenges* and the *Poverty Dynamics* study cited in chapter 1.[12] In line with the broad-based approach of the *WDR 2000/2001*, these studies go well beyond analyzing the economic causes of poverty to include discussion of, for instance, the impact of corruption, ways in which power structures perpetuate inequality, and the role of elites.

Sectorally-focused poverty work includes for example an analysis of rural poverty issues in Nicaragua and urban poverty work conducted in Cali, Colombia and Kampala, Uganda. Public Expenditure Reviews are increasingly focusing on institutional aspects of countries' public expenditure systems, including assessment of the quality and transparency of public expenditure management, and on the impact of expenditures on the poor. Other important examples of this kind of cross-cutting Bank work are Institutional and Governance Reviews, conducted in fiscal years 2000 and 2001 in Argentina, Armenia, Bolivia, Bangladesh, the Eastern Caribbean, and Indonesia. These reviews deal with difficult institutional issues, such as patronage systems, incentives and capacity to delivery public services; the risks of capture of decentralization reforms by local elites; and actions to enhance transparency and accountability.

Informal poverty analysis done over the past two years at the request of countries includes work in Cambodia, Guinea, Lao PR, Mali, Niger, and Pakistan that is now feeding into the preparation of poverty reduction strategies. The extensive work on poverty done in Uganda over the last few years, partly with Bank support, is an important case in point: new household data, qualitative poverty studies, expenditure

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tracking surveys, and user surveys done after the most recent formal poverty assessment was completed (in 1993) have informed Uganda's national debate on the Poverty Eradication Action Plan.

Finally, implementation of the PRSP approach has led to the preparation of a Sourcebook for Poverty Reduction Strategies, designed to support an integrated understanding of key aspects of poverty reduction. The Sourcebook is not a "how-to" guide to PRSP preparation, but rather a compendium of state-of-the-art knowledge on the linkages between poverty reduction and actions across a range of sectoral and cross-cutting issues, including, for example, human development, infrastructure provision, rural and urban development, gender, governance, and the environment. It also discusses tools for monitoring and evaluation, data analysis, and participation in the context of strategies for sustainable poverty reduction.

Ex-ante poverty and social impact analysis. The development of strategies and of lending operations, especially in the case of adjustment lending, should be informed by a careful analysis of the potential impacts of the strategy or operation on poverty and social indicators, including the opportunity, empowerment, and security dimensions of poverty described in *WDR 2000/2001*.[13] In the future, increased and systematic attention to the distributional impact of policy reform and impacts on the broader dimensions of poverty highlighted in the *WDR 2000/2001* will be critical. Carrying out analyses of the poverty and social impact of policies on different groups systematically poses numerous challenges, often compounded by capacity and data constraints. Nevertheless, such analyses are important, both to inform choices among policy alternatives and to design appropriate mitigation and/or risk management measures in cases where reforms have potential adverse short-term consequences.

Ideally, the analysis of poverty and social impacts should be part of the development of country poverty reduction strategies, conducted and owned by countries and subject to open discussion through participatory processes. However, significant strengthening of country capacity and improvements in the analytical tools available are required for this to become the norm. While capacity is being built, the policy changes to be analyzed should be selected carefully, starting with those that, on the basis of existing knowledge and consultation with relevant stakeholders, are expected to have significant impacts. The World Bank and the IMF are working together on the development of adequate methods and tools, and techniques are being piloted in several countries.

The shift to country-owned analyses of poverty and social impacts will be neither quick nor simple. In the short term, the Bank is carrying out poverty and social impact analysis directly through its analytical and project preparation work. For example, the Poverty Reduction Support Credits for Uganda and Vietnam incorporate the results of various forms of social impact analysis. In Uganda, expenditure tracking surveys have been used to learn what actual spending was at the local level and have resulted in changes in spending procedures. In Vietnam, a variety of techniques were used to analyze the employment and gender impacts of proposed reforms and design appropriate safety nets. Qualitative approaches are also increasingly being utilized, for example in Cameroon, Chad, Madagascar, Pakistan, and Uganda.

Strengthening capacity and systems for poverty monitoring

Good analytical work can enhance policy choices with respect to implementing the poverty reduction framework proposed in the *WDR 2000/2001*. But analysis and action needs to be complemented by improvements in systems and capacity to monitor poverty outcomes, which are crucial for the results-oriented approach needed to enhance aid effectiveness, apply the principles of the Comprehensive Development Framework, and effectively implement the PRSP approach in poor countries. The CDF and the PRSP approach put a premium on strengthening capacity in countries, rather than relying on donor-driven monitoring activities. Thus the challenge is not simply to improve data availability, but to help countries to build their own national capacity for this purpose. More transparent and more easily accessible data will also help empower poor people.

The Bank is supporting the strengthening of poverty monitoring systems and capacity at the national level and developing and testing new poverty monitoring tools and approaches. This is done partly through the regular lending portfolio. As of March 2001, 198 projects were identified as having at least one statistical component, in some instances directly supporting data collection efforts; and several adjustment operations, for example, in the Indian states of Karnataka and Uttar Pradesh, are helping to strengthen poverty monitoring systems at the sub-national level.

The Bank is also supporting capacity building through partnerships. It is a member of the Partnership in Statistics Development in the 21st Century (PARIS21) and administers the Trust Fund for Statistical Capacity Building. Regional initiatives to strengthen capacity for poverty monitoring and analysis include the Program for the Improvement of Surveys and the Measurement of Living Conditions (ISLC/MECOVI) in Latin America and the Caribbean

TABLE 2.1

Availability and comparability over time of poverty monitoring data

Share of population covered by ...	*1995 (%)*	*1998 (%)*	*1999 (%)*	*2000 (%)*
... at least one survey with data on consumption and/or income	83	96	97	97
... comparable data for at least two points in time	45	85	86	86
... open access to data	—	41	46	54
... at least one Demographic and Health Survey (DHS)	9	26	49	58
Total number of countries	*121*	*124*	*124*	*123*

Source: World Bank; see Annex H.[15]

region, jointly sponsored by the Inter-American Development Bank, the World Bank, and the Economic Commission for Latin America and the Caribbean.[14] The World Bank Institute works with training institutions around the world to provide courses in poverty monitoring and analysis.

Reflecting these and other initiatives, country poverty monitoring systems and capacity are stronger now than they were five years ago. The availability and comparability of data on household consumption, incomes, and health has improved greatly since 1995. Open access to data remains relatively limited, but has expanded significantly over the past three years (table 2.1).

Timely monitoring of poverty reduction strategies poses several challenges. First, quick feedback is needed. This requires supplementing conventional household surveys, which yield in-depth data but with a lag, with monitoring tools that gather less in-depth information from households (for example on use of, access to, and satisfaction with services but not on detailed consumption and income) but make it available more quickly. Examples of such quick monitoring tools include the Core Welfare Indicators Questionnaire; the user surveys piloted in Uganda to complement expenditure tracking surveys; and the citizen scorecards used in India, the Philippines, and other countries.[16] Similarly, traditional household surveys need to be complemented by participatory poverty instruments, such as the participatory poverty studies carried out in Uganda.

Another challenge is to define appropriate measures and monitorable indicators for the additional dimensions of poverty identified in *WDR 20000/2001*—powerlessness, voicelessness, and vulnerability. Poverty monitoring systems need to include tools that collect data on social capital, risk and vulnerability, corruption, and accountability of institutions. For example, an extended and enriched panel survey about to be undertaken in Pakistan will look at income dynamics and factors governing long-term income mobility for the measurement of vulnerability.

Assessing whether results were achieved: evaluation capacity

Beyond assessing the expected impact of interventions and monitoring outcomes during implementation, carefully evaluating the ex-post poverty impact of interventions provides an invaluable check on whether the intended results were achieved. Various Bank initiatives aim to strengthen capacity for evaluation.

Following a practice established in fiscal year 1998, the Bank's Poverty Reduction Group reviews Bank investment operations each year to check whether they include plans to conduct impact evaluations. Investment operations need to be assessed in the context of the overall package of Bank assistance to a country, rather than in isolation. Nevertheless, where projects test new approaches or where there are lessons to be learned on what works and what does not, it is important to assess project-level impacts. The review of 1998 and 1999 projects suggested that only a small proportion of operations—5 percent in fiscal 1998 and 8 percent in fiscal 1999—included all the components required to conduct a thorough poverty impact evaluation (performance indicators, plans for baseline, and follow-up data collection from project beneficiaries, a control or comparison group). The fiscal 2000 review, which covered 155 projects randomly selected among the 193 investment projects approved in that fiscal year, showed that there is room for improvement.

The methodologies to be used for impact evaluation of investment operations are known, and are being disseminated through a recently prepared *Handbook for Practitioners on Evaluating the Impact of Development Projects on Poverty* (Baker, 2000), internal courses for staff, and a course for staff and country clients at Carleton University in Ottawa. The key issue now is to ensure that the right incentives exist in countries and at the Bank to carry out evaluations where needed—client commitment is essential. A Monitoring and Evaluation Improvement Program

was launched last year to tackle capacity and incentive constraints both in countries and within the Bank. The program includes, first, a phased pilot approach in specific countries and sectors aimed at undertaking a diagnostic of monitoring and evaluation systems and, second, identifying from the pilot cases ways in which incentives, accountability, and capacity can be fostered across all countries and sectors. Five countries in three regions were selected for fiscal year 2001 and three more are to be added in fiscal year 2002. The Bank's Operations Evaluation Department has also been working since 1987 with client countries to strengthen evaluation capacity through the Evaluation Capacity Development project, and support is currently being provided to seven countries in three regions.[17]

Support for global public goods

The preceding sections have focused mainly on country-level work designed to strengthen the poverty focus of Bank activities. But, as briefly noted in the discussion of the new strategic framework and the implications of the approach advocated in the *WDR 2000/2001*, country-level action alone cannot guarantee substantial and sustained reductions in world poverty. It needs to be complemented by global collective action in priority areas critically linked to bettering the lives and prospects of poor people worldwide. A paper prepared for the April 2001 meeting of the Development Committee identified five such areas for Bank involvement, based on the principles of selectivity and comparative advantage, together with relevance for the Bank's poverty reduction mission.[18] Actions underway in each area are described below.

Communicable diseases. Communicable diseases are increasingly becoming a global threat with particularly severe consequences for poor countries and people. Addressing them through global public action is directly related to the security and opportunity pillars of the *WDR 2000/2001*. IDA is therefore working with others on efforts to combat HIV/AIDS, for example through the Multi-Country AIDS Program for Africa, jointly prepared with UNAIDS and the International Partnership against AIDS, and it is working with partners to develop a similar approach with several Caribbean nations (see box 2.7 for examples of the impact of successful HIV/AIDS projects). The Bank is also supporting the AIDS-related work of the Global Initiative for Vaccines and Immunization (GAVI) and the International AIDS Vaccine Initiative. It is working with partners on tuberculosis control, through the WHO-recommended DOTS control strategy, and on malaria, through the Global Partnership to Roll Back Malaria. Finally, the Bank supports the work of GAVI on developing vaccines against malaria, TB, and other diseases and delivering vaccines to poor countries.[19]

Environmental commons. Environmental degradation is another global problem that can have especially adverse effects on poor countries and poor people. Depletion of land and water resources limits opportunity in rural areas where the majority of the world's poorest people live; the urban poor tend to be disproportionately exposed to air pollution and contaminated water, and hence vulnerable to environment-related diseases; and natural disasters pose a special threat to the security of the poor. In addition to supporting environmental programs in individual countries, the Bank participates in a number of initiatives designed to arrest the deterioration of the global commons, including action designed to mitigate long term climate change, ozone layer depletion, and degradation or loss of biodiversity, forests, and water and land resources.[20]

Information and knowledge. Knowledge is a critical public good in an increasingly information-driven global economy. Broadening poor countries' and people's access to knowledge is essential for enhancing their opportunity, promoting their security, and furthering their economic and social empowerment. At the country level, the Bank is supporting the development of legal and regulatory environments that will help to bridge the "digital divide" by promoting information technologies and global connectivity. Its individual projects increasingly include information systems components. The Bank is also increasing its support for national and regional institutions that can generate information for informed debate, including research and training institutions, the media, and organizations of the poor. The World Bank Institute offers a wide range of training programs for participants from developing countries, including a new program (named "Attacking Poverty") addressed in particular to poor countries and covering key aspects of poverty reduction strategies and programs. To foster global knowledge, the Bank supports initiatives and networks such as World Links for Development, the Global Distance Learning Network, the Africa Virtual University, the Global Development Network, and the Consultative Group for International Agricultural Research. It also supports the Global Development Gateway, an initiative designed to foster the use of information and communications technology in the fight against poverty. The Information Development Program (infoDev) supports the start-up costs of Country Gateways, locally owned and operated partners of the Global Development Gateway.

BOX 2.7

Fighting HIV/AIDS effectively in Brazil, Chad, India

In the early 1990s, Brazil ranked fourth in the world in terms of reported AIDS cases. The $160 million AIDS and Sexually Transmitted Diseases (STD) Control Project, approved in 1993, focused on prevention efforts, but also covered treatment and testing. The project helped 175 nongovernmental organizations carry out grassroots campaigns to reach high-risk groups, such as injecting drug users and sex workers. The NGOs handed out more than 180 million condoms, raised AIDS awareness among more than 500,000 people, and trained 3,800 teachers and 32,500 students in AIDS and drug abuse prevention. A second project approved in 1998 has helped to set up a nationwide network of 141 AIDS testing and counseling centers and supports 145 specialized AIDS care units as well as 66 hospital-based care units and 50 home-care teams. In partnership with the National Business AIDS Council, the Bank's support has enabled 3,000 companies to provide AIDS awareness training to 3.5 million workers. The program has contributed to a 38 percent drop in the number of AIDS-related deaths since 1993.

Chad's women can be counted among the world's most vulnerable: about a third have no schooling, 80 percent marry while in their teens; more than half have had their first child before turning 18. At 1 percent, the use of modern contraception is virtually non-existent. Only 1 in 4 Chadian women enjoy trained assistance while giving birth. The result: maternal mortality in Chad, estimated at 827 per 100,000 live births, ranks among the highest in the world. The IDA Population and AIDS Control project, approved in 1995, has trained more than 40 local NGOs to carry out population and HIV/AIDS prevention initiatives at the community level. Knowledge about modern contraception methods, the existence of AIDS, and how the HIV virus spreads is steadily growing. More than 300,000 condoms are now sold every month, about 15 percent more than expected at the outset.

With the highest number of HIV/AIDS cases in the world, India faces a major epidemic. The country still has a small window of opportunity to stem the epidemic and keep the prevalence of HIV below 5 percent of the adult population. If it fails, the AIDS situation in India could become like that in many of the worst affected African countries. India's fight against HIV began in earnest in 1992, with support from the IDA-financed National AIDS Project. The project set up AIDS control offices, and helped establish an Information, Education, and Communication program, exploiting media and traditional communications channels such as folk music, festivals, awareness campaigns, and elephant parades to highlight the risks of HIV/AIDS. The project has contributed to important achievements in the battle against HIV. Public knowledge of HIV has increased from 54 percent of the population to 80 percent in cities, and from 13 percent to 64 percent in the countryside. Use of condoms in some targeted high-risk groups has increased from 10 percent to between 50 and 90 percent. Nationwide, condom distribution through social marketing has grown by 50 percent. Considerable progress has been made in cleaning up the blood supply. The states of Maharasthra, Tamil Nadu, and West Bengal have recorded some special successes in their HIV programs, but other states have not yet developed effective HIV responses. A Second National AIDS Control Project, approved in June 1999, is helping to address this challenge.

Trade and integration. As the *WDR 2000/2001* points out, trade can be a powerful engine for growth and poverty reduction, and poor countries that are more integrated with international markets have grown as fast or faster than rich countries. Over the past two decades, however, the world's poorest countries have seen their share of world trade decline. The Bank is working at the multilateral, regional, and national levels to support trade integration as a global public good that benefits all participants, including the poorest. It has launched an International Task Force on Commodity Risk Management in Developing Countries to help commodity-dependent exporters mitigate and handle the risks of commodity price volatility. And specifically with respect to the poorest countries, the Bank is participating, along with other multilateral agencies, in a revitalized Integrated Framework for the Least Developed Countries. This initiative is designed to help poor countries to design trade reform packages that both promote growth and protect the poor during the reform transition. A trust fund for Integrated Framework activities has recently been established with support from bilateral donors.

International financial architecture. A strong international architecture that can help prevent and manage financial crises is a global public good that benefits all countries and peoples, including the poorest, who have fewer resources to fall back on when crises strike. In addition to relevant aspects of its lending activities, the Bank is working to help promote financial stability through the Financial Sector Assessment Program, an initiative designed to alert countries to potential vulnerabilities in their financial sectors, and to help with the design of appropriate assistance. Assessments undertaken under the Program usually form the basis for Bank and IMF work on financial sector standards under the Reports on Standards and Codes initiative. Dealing with problems associated with debt and debt management is of special importance for avoiding financial crises, especially in the poorest countries. To this end, the

Bank will continue to support international debt relief provided under the enhanced Heavily Indebted Poor Countries (HIPC) initiative. In addition, the Bank's Executive Directors have recently approved guidelines on sovereign debt management, designed to help countries consider reforms to strengthen the quality of public debt management and reduce vulnerability to financial shocks. An option for countercyclical and contingent lending, the deferred drawdown facility to support middle-income countries that may temporarily lose access to private financial capital during a time of crisis, was approved by the Board in October 2001.

Notes

1. See World Bank (1998), *Assessing Aid: What Works, What Doesn't, and Why*, Policy Research Report, New York, Oxford University Press, and World Bank (2001), *Aid and Reform in Africa*, Washington, D.C.

2. Paul Collier and David Dollar (2000), "Aid Allocation and Poverty Reduction," World Bank, Development Research Group, Washington, D.C.

3. World Bank (2000), *World Development Report 2000/2001: Attacking Poverty*, New York, N.Y., Oxford University Press (www.worldbank.org/poverty/wdrpoverty/report/).

4. Complementing shifts in the Bank Group's Strategic Framework Paper, the recent IFC Strategic Directions Paper emphasizes a shift toward low-income countries and activities which have a potentially large poverty impact (such as small and medium enterprises), and increased emphasis on sustainability issues. In addressing the challenge of improving the investment climate, the Bank Group, including IFC and MIGA, is increasingly coordinating its actions and approaches. Recent organizational changes (such as the formation of a joint Small and Medium Enterprises department in March 2000) also enhance this coordination.

5. *Supporting Country Development: World Bank Role and Instruments in Low- and Middle-Income Countries*, DC2000-19, September 8, 2000.

6. *Fighting Poverty and Strengthening Growth in Low-Income Countries*, DC2001-001, April 18, 2001.

7. *Supporting Country Development: Strengthening the World Bank Group's Support for Middle-Income Countries*, DC2001-0005, April 10, 2001.

8. Special attention or support may be required for the poorest states or provinces in large federal middle-income countries.

9. For details on the 1998/99 ratings see World Bank (2000), *Poverty Reduction and the World Bank: Progress in Fiscal Year 1999*, Washington, D.C. (www.worldbank.org/poverty/library/ progr/1999/); *Country Assistance Strategies: Retrospective and Implications*; and the Note on "Enhancing Board Discussion of Country Assistance Strategies," May 22, 2000, R99-228/2, Box 5.

10. These are poverty assessments or updates for Albania, Argentina, Bolivia, Cambodia, Chile, China, Croatia, the Dominican Republic, Ethiopia, Georgia, Honduras, Hungary, Kyrgyz, India, Indonesia, Jordan, Latvia, Mexico, Moldova, Morocco, Nicaragua, Philippines, the Slovak Republic, Sri Lanka, Swaziland, Tajikistan, Turkey, Uruguay, Venezuela, Vietnam, and the West Bank and Gaza.

11. On Argentina, see World Bank, "Together We Stand, Divided We Fall: Levels and Determinants of Social Capital in Argentina." Latin America and Caribbean Region, April 2001 draft.

12. Both studies are joint efforts of the World Bank and the Strategic Partnership with Africa.

13. See, for example, the Operational Memorandum "Clarification of Current Bank Policy on Adjustment Lending," June 5, 2000.

14. Countries covered by the project are currently Argentina, Bolivia, El Salvador, Guatemala, Nicaragua, Paraguay, and Peru. Other countries that have expressed interest in participating in the project include Costa Rica, the Dominican Republic, Ecuador, Guyana, Haiti, Honduras, Panama, and Venezuela.

15. See also the Poverty Monitoring Database on the PovertyNet web site at www.worldbank.org/poverty/data/povmon.htm; the LSMS web site at www.worldbank.org/lsms/; the Household Expenditure and Income Data for Transitional Economies site at www.worldbank.org/research/transition/house.htm; and the Demographic and Health Surveys site at www.macro.org.

16. For more information on the CWIQ, see www4.worldbank.org/afr/stats/cwiq.cfm. For more information on user surveys and expenditure tracking surveys, see http://www.worldbank.org/research/projects/publicspending/tools/tools.htm.

17. See *http://www.worldbank.org/html/oed/evaluation/html/monitoring_and_evaluation_capa.html*.

18. *Poverty Reduction and Global Public Goods: A Progress Report*, DC2001-0007, April 13, 2001.

19. The first such delivery of vaccines against diphtheria, tetanus, whooping cough, and hepatitis B was made to Mozambique in April 2001.

20. The Bank is the implementing agency for two global financing mechanisms for addressing environmental issues—the Global Environment Facility and the Multilateral Fund for the Montreal Protocol. Other Bank-supported global environmental initiatives include the Prototype Carbon Fund, a public-private trust fund designed to purchase greenhouse gas emission reductions in developing and transition economies; the global convention on Persistent Organic Pollutants; the Nile Basin Initiative, which promotes trans-boundary cooperation among riparian countries; the International Commission on Dams, and the Critical Ecosystems Partnership Fund, which focuses on biodiversity "hot spots" in highly threatened regions.

CHAPTER 3
Orienting Bank Operations to Support Opportunity, Empowerment, and Security

Chapter 2 described how the Bank's strategic framework, business models, operational instruments, analytical work, and support for global public goods are increasingly focused on achieving greater results in terms of the expanded approach to poverty reduction described in the *WDR 2000/2001*. The Bank's strategic framework and country business model outlined above—founded on country-owned vision, sound, context-specific diagnosis of the policies proposed, a Bank program in support of the vision and informed by the diagnosis, and a focus on results—are the cornerstones of the Bank's operationalization of the *WDR 2000/2001* agenda. This chapter discusses how Bank operations are helping countries to address the three substantive elements of poverty reduction outlined by the *WDR 2000/2001*—increasing opportunity; enhancing empowerment; and strengthening security—within the context of the strategic framework and business model.

As discussed earlier in this report and in the *WDR*, there are significant complementarities in the actions needed to support opportunity, empowerment, and security. Hence, while the chapter is organized in sections on these three dimensions/areas of action, it should be recognized that actions in one area often address more than one dimension of poverty and are closely linked to actions in other areas.

Opportunity

The *WDR 2000/2001* and the analysis of poverty trends presented in chapter 1 make it clear that an effective attack on poverty depends critically on the rate of economic growth in poor countries. Without growth, the additional jobs and better availability of services needed to lift poor people out of poverty—from health and education to water supply and rural roads—will not materialize. The view that growth is critical for the success of poverty reduction strategies is widely shared: all the I-PRSPs and PRSPs that have been completed to date have emphasized the centrality of measures to enhance growth in national poverty reduction efforts. But, as also noted in the *WDR* and in chapter 1, the impact of growth on poverty reduction is reduced if income inequality is high. Therefore, increased attention is being placed on how the benefits of growth are distributed and on identifying and supporting actions that generate pro-poor growth. Institutional and governance characteristics specific to each country affect both the pace of growth and the distribution of its benefits, and need to be taken into account.

Growth, institutions, and distribution

Promoting growth. Supporting broad-based growth that benefits the poor and that increases returns to the assets of the poor is a major focus of the Bank's engagement with its client countries. In fact, one of the two key priorities for fighting poverty outlined in the Bank's Strategic Framework Paper is building the climate for investments, jobs, and sustainable growth (see chapter 2). Several other strategic documents lay out directions for Bank action.

The Bank Group's Private Sector Development Strategy, scheduled for completion in fiscal year 2002, lays out a framework to improve the investment climate. This includes support for deregulation and competition; for well-functioning legal, judicial, and regulatory institutions; and for privatization, concessioning, and contracting out under appropriate circumstances. Also important are clarifying and strengthening property rights and corporate governance regimes; building institutions for private sector development; for example, investment promotion agencies or public–private consultative mechanisms and adequate provision of key infrastructure (transport, water, energy), which is essential for private sector development. Well functioning financial markets are also critical for promoting growth and opportunity. In addition to the strengthening of legal and judicial systems mentioned above, creating and maintaining an effective financial sector involves putting in place appropriate

accounting practices, regulation and supervision; strengthening banking systems; increasing the diversity of financial systems; and developing capital markets. Finally, as the *WDR 2000/2001* points out, capitalizing on the benefits of trade is a potent driver of growth, jobs and incomes for poor countries and people. Bank support for increasing access to international markets needs to be complemented by "behind the border," country-level actions that enhance the linkage between the poor and overseas markets—for example, in the context of the Bank-assisted Integrated Framework for the Least Developed Countries (chapter 2)

Experience has shown that a healthy rural economy is critically important for overall growth in the poorest countries, and that growth in rural areas disproportionately benefits the poor in these countries, as the majority of them lives in rural areas. The Bank is currently preparing a rural development strategy that focuses particularly on increasing agricultural growth and competitiveness and on enhancing rural non-agricultural, off-farm, and private sector economic activity in rural areas.

Understanding country and institutional contexts. During the past decade and based on both successful and unsuccessful experience, the development community, including the Bank, has placed increasing weight on the importance of country-specific governance and institutional factors as determinants of effective policies, including policies for enhancing economic growth. In particular, actions to improve the investment climate require an understanding of country and institutional constraints to investment. The Bank continues to work with countries to overcome these constraints.

The *WDR 2002*, entitled *Institutions for Markets*, focuses on this issue (see box 3.1). The Bank Group's Foreign Investment Advisory Service (FIAS) has advised some 120 governments on how to improve the investment climate for foreign and domestic firms. The Bank is also helping to develop a standard methodology to evaluate the investment climate, that includes a standardized survey instrument which will allow for benchmarking and cross-country comparisons. This instrument is also capable of assessing the investment climate for micro-enterprises and rural enterprises. Relatedly, the Bank is undertaking country mapping exercises to assess the policy and institutional environment for small and medium enterprises in individual countries. As noted in chapter 2, the Financial Sector Assessment Program, operated jointly with the IMF, provides countries with an analysis of strengths, potential weaknesses, and key developmental issues in their financial sectors; assessments were undertaken for 36 countries in fiscal years 2000–2001; 25 more are scheduled for fiscal 2002. Finally, the Institutional and Governance Reviews mentioned in chapter 2 are also being used to diagnose the investment climate in countries.

Paying more attention to the distributional aspects of growth. Growth can improve the distribution of incomes, but it can also be distribution-neutral or actually increase inequality, and thus retard poverty reduction efforts. Supporting growth paths that do not increase inequality also matters from a purely growth-oriented perspective, because increasing inequality can adversely affect the growth process itself and its sustainability. Hence the distributional implications of alternative options for accelerating growth and the policy reforms associated with them need to be taken into account. In addition to avoiding possible inequities associated with growth, the Bank is putting new emphasis on policies for pro-poor growth that can specifically increase economic opportunities for poor people. Work is underway on clarifying the conceptual issues related to the meaning of pro-poor growth. Understanding these issues, and going beyond income distribution as the only measure of distribution, is critical for choosing between alternative policy options, improving their social sustainability, and designing compensatory mechanisms as required.

The Bank is actively conducting and supporting work to assess the poverty and social impact of policies through both analytical work and project preparation, as discussed in chapter 2. The need to conduct analyses of poverty and social impacts is being reflected in revised guidelines. Meanwhile, work is ongoing on developing a guidance manual covering conceptual issues and a toolkit of best practice for assessing the poverty and socials impact of public action that will integrate quantitative and qualitative approaches. The toolkit will include analytical tools that link macroeconomic modeling approaches with microeconomic household survey information; incidence analysis to look at the impact of public expenditure and revenue policies; new techniques and methods that focus on the efficacy and responsiveness of public service delivery to the poor; and qualitative tools. Some of these techniques are already being implemented, in collaboration with local counterparts, in several countries.

Additionally, research is underway at the Bank to enhance the understanding of the socio-economic, institutional, and community-level factors that explain why the poor benefit more or less from growth in different instances and on the relationship between poverty and inequality.

BOX 3.1

The *WDR 2002*: Institutions for Markets

The *WDR 2002* starts from the proposition in the *WDR 2000/2001* that income from participation in markets is the key to boosting economic growth for nations and reducing poverty for individuals. It provides a rich and nuanced discussion of the role of institutions—defined as rules, enforcement mechanisms, and organizations—in supporting the development of markets. It provides a framework for understanding what institutions do that applies across the range of market supporting institutions. Institutions channel information about market conditions, goods and participation; they define and enforce property rights, determining who gets what and when; and they increase (or decrease) competition in markets. The report codifies experience from around the world into four main lessons about how to ensure effective institutions for markets: (1) design institutions that complement what already exists, recognizing that country context is critical, and existing features of this context will determine the impact of a given institution; (2) innovate and experiment to see what works, again recognizing that "one size fits all" approaches are inappropriate—even in countries with similar income levels and capacities—but at the same time recognize the costs of experimentation and be ready to drop failing experiments; (3) connect communities of market players through open information flows and trade, which in turn creates demand for effective market-supporting institutions and supplies ideas for beneficial institutional change from outside a given community; and (4) promote competition among jurisdictions, firms, and individuals, which helps modify existing institutions, changes incentives and behavior, and promotes demand for new institutions by highlighting successful ones.

While the *WDR 2002* necessarily paints on a very broad canvas, it has important things to say with respect to institutions for markets in the context of attacking poverty. Some examples:

- Well designed market-supporting institutions help the poor not only by influencing overall growth but also by enhancing poor people's market access, and enabling them to make the best use of their assets;
- The rule of law, broadly defined (including establishment and enforcement of property rights, effective legal institutions, and a low incidence of corruption) matters critically—again, not only for overall growth and the quality of the investment climate, and but also specifically for poor people (who, for example often suffer differentially from lack of effective property rights, and who are particularly hard hit by corruption);
- Regulatory systems need to be simple and not burdensome, but paradoxically, poor countries tend to have more complex (and often corruption-creating) regulations (even those governing, e.g., an activity as basic as debt collection) than rich ones—and poor people may have special difficulty in negotiating these complexities;
- Informal institutions tend to be more important than formal ones in poor countries, and for poor people, who are often not well served by the limited formal institutions available. While there are also limitations on the effectiveness of informal institutions, they can do much to resolve information and enforcement problems at the community and country level.

Issues relevant to poverty reduction are raised throughout the *WDR* in contexts ranging from financial systems through the judicial system to the role of the media. The report also addresses in depth particular topics of special relevance to poverty reduction. The chapter on "Farmers" is a case in point, since the majority of the world's poorest still live and work in rural areas. The chapter considers institutions for markets in this context under three main areas of focus: building more secure and transferable rural land institutions; building effective and accessible rural financial institutions; and building effective institutions for agricultural technology and innovation. It concludes that institutional change in these areas can reduce poverty by encouraging farmers to undertake high return activities and investments, in turn leading to a more productive agriculture that can also boost overall growth. The chapter on "Regulation of Infrastructure" contains a special section on "Designing regulation to deliver services to poor people," which outlines five ways to promote distributional objectives—setting relevant investment targets in the context of privatization or concessioning; maintaining flexibility with respect to tradeoffs between tariffs and service parameters; liberalizing entry for small-scale or innovative providers serving communities not reached by conventional organizations; expanded dialogue/exchange of information with a more diverse range of stakeholders (including poor communities); and enhancing the affordability of services through appropriately designed subsidies.

Making markets work to stimulate pro-poor growth

Beyond the need for overall economic growth, the *WDR 2000/2001* emphasizes the need to make markets work better for poor people, by addressing the specific constraints that keep poor people from accessing opportunities and assets through markets. The challenge is to focus on an agenda of "liberalization from below" that addresses constraints at the micro level, specifically among poor people and microenterprises, in addition to market-wide reforms. This is a rich and challenging agenda on which the Bank will continue to engage.

Regulatory and legal reform. Efforts to increase competition in most markets—by permitting easier entry and exit—can lower transactions costs and purchase prices

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in markets where the poor are consumers (e.g., food, water, and transport) and provide opportunities for poor people in markets where they are sellers (e.g., of labor or services), either through employment or micro-enterprises. Improving the functioning of domestic markets will also help the poor benefit from international markets, for both their products and their purchases. Furthermore, clarification of property rights, particularly with regard to assets the poor use—such as land and other natural resources—is crucial to enable them to benefit from the returns to these assets as well as to enhance access to complementary resources, such as credit. The forthcoming private sector and rural development strategies will address these issues. Legal and judicial reforms that strengthen systems for enforcement of property rights and contracts, together with arbitration systems accessible to the poor, are essential parts of this agenda, which the Bank supports.[1]

Improving poor people's access to financial markets and business services. The Bank Group is focusing on improving the investment climate for micro, small, and medium enterprises and on developing markets for associated business development services. There is scope for building markets for such services by stimulating demand (by provision of information or direct incentives such as matching grants and vouchers), strengthening the capacity of service providers, and introducing new products and service delivery mechanisms. For example, in a number of countries the Bank is supporting matching grant schemes that cover part of the cost of advisory services.

Micro-finance is of special importance to poor people and enterprises. The Bank approved more than 70 projects with micro-finance components in the 1990s (see for example, box 3.2), initiated a worldwide analytical effort, Sustainable Banking for the Poor, and provided the secretariat for the Consultative Group to Assist the Poorest (CGAP), a consortium of donor agencies that supports micro-finance through technical assistance. The focus is increasingly on building the financial and institutional sustainability of micro-finance institutions and supporting policy change rather than directly subsidizing them.[2] There is also scope for supporting innovations, such as credit scoring, computerization, ATMs, and smart cards, that can reduce transaction costs and information asymmetries in connecting smaller entrepreneurs and the poor to financial markets.[3] For very poor communities and remote areas beyond the reach of existing micro-finance institutions, an increasingly common approach is to support income generating activities in a way that builds the ability of communities to recover and manage their funds.

BOX 3.2

Creating opportunities through micro-finance in Bosnia and Herzegovinâ

In December 1996 the government of Bosnia and Herzegovina and IDA established the Local Initiatives (Micro-finance) Project to develop micro-finance institutions to lend money and offer other business-related services to low-income entrepreneurs. The results have been remarkable: as of February 2001, nearly 74,000 loans had been disbursed to micro-entrepreneurs across Bosnia and Herzegovina, creating or sustaining about 100,000 jobs. Women make up nearly half of all borrowers, and a quarter of the loans have been made to displaced persons or returning refugees. An impressive repayment rate of about 98.5 percent has been maintained from the project's beginning in April 1997. Establishing branch networks that build linkages across ethnic boundaries in Bosnia and Herzegovina, NGO Microcredit organizations have proven that they can develop into viable micro-finance institutions. Based on this success, IDA is planning a follow-up project.

Improving infrastructure for the poor. Infrastructure services—notably transport and energy—can enhance opportunities for poor people by promoting their access to markets, in addition to helping to generate national and regional growth. The Bank is working both to improve targeting of infrastructure to the poor and to develop mechanisms for low-cost and sustainable delivery of services. In Buenos Aires, a water project uses geographic targeting of tariffs to explicitly subsidize poor users. Poverty mapping is now being used to improve targeting of infrastructure investment to the poor, for example in Panama. Participatory and community-driven approaches have also been useful in targeting infrastructure investment to rural areas. The Bank is also examining how privatization of infrastructure could be made to work for the poor, as exemplified in the Latin America and Caribbean regional study on Infrastructure and the Poor, mentioned in chapter 2.

Building the human capital of the poor

Human capital is one of the most important assets of the poor. Inadequate human capital investment perpetuates income poverty and degrades human well-being. The Bank's approach to investing in human capital for the poor is placing increasing emphasis on complementing public financing with policies and delivery systems that promote synergies between the public and private sectors and increase the accountability and responsiveness of service delivery to the poor with tangible results.

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Investing in health, education, water, and sanitation. The Bank is committed to improving education, health, and access to water in line with the international development goals. In the area of health, support for reductions in infant, child and maternal mortality will continue, along with efforts to help countries to enhance the performance of health care systems and to secure sustainable health care financing. In addition, as discussed at the end of chapter 2, the Bank is stepping up its support for the development of vaccines and treatment for AIDS, malaria, and tuberculosis.

In education, the Bank will continue to focus on supporting expanded access to basic education, notably for girls and the poorest; early child development and school health; innovative delivery and systemic reforms in areas such as standards, curriculum, and achievement assessment; and governance and decentralization, with an increasing focus on school quality. In addition to supporting supply improvements, the Bank has increasingly recognized the importance of tackling demand constraints. In Bangladesh, for example, the Bank and government have set up the Female Secondary School Assistance Project, designed to increase the number of girls enrolled in secondary school and help them to pass their certificate examination in order to get a job.

Key interventions to improve human development outcomes can lie outside the social sectors. In targeting poverty objectives, the Bank is therefore also supporting improvements in environmental conditions and safe water and sanitation, particularly as they affect poor people. The Armenia Environment Project referred to in box 2.3 (chapter 2) is one example of how sectoral interventions are being designed to address pressing poverty issues. Research is underway to better understand the synergies and complementarities of interventions in different sectors in the effort to reach the international development goals.

Support to the social sectors has also taken the form of sectoral programs and budgetary support for increased allocations to priority spending areas. Reforms in the social sectors and increased spending on social services have generally been among the top priorities set out by national authorities in their I-PRSPs and PRSPs, and this is being reflected in the design of Bank CASs.

Improving the delivery and responsiveness of services to the poor. As already noted, and in line with the *WDR 2000/01*, the Bank is paying increasing attention to improving the actual delivery of services to the poor. In some cases, this involves exploring ways in which public–private partnerships can be effectively used to deliver services in a cheaper and more responsive way—an issue addressed in detail in the forthcoming private sector development strategy. In other cases, this means supporting better service delivery through decentralization and Community-Driven Development (CDD), tracking of expenditures, citizen monitoring, and measures to enhance accountability. Diagnostic work is being stepped up to determine the extent to which health and education services fail to reach the poor in specific country contexts.

Empowerment

Empowerment is the substantive area of the *WDR 2000/2001* agenda that poses the biggest challenge for the Bank. As this section shows, this is not a new area for the Bank Group, but pursuing it more consistently means changing how it operates in many sectors. In order to frame the Bank's engagement in this area and to provide practical direction to staff, a sourcebook for World Bank staff on empowerment is under preparation. The sourcebook will clarify concepts, identify which aspects of empowerment fall within the Bank's mandate and comparative advantage, outline key areas for support, and point to good practice. As currently envisaged, support will focus on (i) increasing participation and inclusion; (ii) strengthening local organizational capacity; (iii) enhancing accountability and enforcement; and (iv) increasing access to information.

Increasing inclusion and participation

Inclusion and participation in Bank operations. The Bank is increasingly using participatory processes in its operations, both at the project and program levels. A recent review by the Operations Evaluation Department (OED) concluded that substantial progress has been made in incorporating participatory processes in Bank-financed projects and in CAS preparation. When done well, participatory approaches have led to improvements in project design, ownership, community contributions, accountability and transparency in contracting and procurement, gender relations, collaboration between government and communities, and sustainability, as well as in reduction of conflict and social exclusion. Participatory CAS preparation has improved local ownership and relevance.

But there are also areas for improvement. The costs of participation for all stakeholders—including communities, the government, and the Bank Group—are significant. More generally, there are significant risks associated with the empowerment agenda, including the potential for capture by national elites; the complexities of bridging cultural and ethnic divides in heterogeneous societies; and all too often

the realities of conflict. The evolving PRSP experience with broad-based participatory processes for strategy formulation and monitoring and evaluation of results should provide valuable insights on participation at the macro level. The Social Development Strategy Paper planned for fiscal year 2003 is expected to update the participation strategy (including any resource implications).

Strengthening local organizational capacity

Community-Driven Development (CDD) and decentralization. CDD is an important instrument for operationalizing the empowerment pillar of the *WDR 2000/2001*. It builds on social capital by harnessing community participation; it also improves social capital by strengthening incentives for participatory development (see box 3.3).

In addition, CDD can play a crucial role in building capacity at the local and community level (see box 3.4). New commitments of approximately $1.5 billion in fiscal year 2001 and an anticipated $2.0 billion in fiscal year 2002 will finance programs driven by community groups, in a variety of sectors in both urban and rural settings. Today's CDD programs build on the lessons of earlier successful projects (see box 3.5).

As the Bank proceeds with the CDD approach, it will be important to closely monitor and evaluate progress and results. For example, the monitoring and evaluation components of the District Poverty Initiative Project in India are geared towards evaluating how effective different models of community devolution are in delivering community infrastructure, improving the quality of social services through enhanced accountability, and increasing income generating opportunities for poor people. More generally, it will be important carefully to monitor and evaluate the new approaches involved in CDD including the potential risks. For example, CDD needs to be truly inclusive and avoid institutional capture by traditional elites, and the extra time and costs that may be needed for good CDD should be clearly identified and taken into account when valuing outcomes. Other aspects to be considered include coordination between CDD and sector reform efforts; country ownership at the national level of CDD approaches; adequate safeguard and fiduciary arrangements; and leverage of local and private financing to ensure sustainability.

BOX 3.3

Operationalizing empowerment through Community-Driven Development

Poor people are often viewed as the target of poverty reduction efforts. Community-driven development, in contrast, treats poor people and their institutions as assets and partners with whom to work. CDD empowers poor people to create opportunities for themselves. It gives control over decisions and resources to community groups. The CDD approach brings together and addresses the four key areas of interventions to further empowerment discussed in the text. If implemented well, CDD can enhance inclusion and participation; strengthen accountable and inclusive community groups; facilitate community access to information, increasingly through information technology; and strengthen local organizational capacity by forging functional links between community groups and formal institutions—especially local governments—and by creating an enabling environment through appropriate policy and institutional reform, often including decentralization reform.

The CDD approach is used to provide local social and infrastructure services such as basic education and water supply, to organize cooperative economic enterprises and natural resource management, to organize citizens to enhance accountability of governance mechanisms, to strengthen social networks, and to enhance security among the poorest.[4] For example, the North-East Brazil Rural Poverty Alleviation Program was reformulated from a centrally administered, integrated rural development program into a community-driven program that targets the poorest communities and involves them in decentralized decision-making, with a reduced role for public agencies. Funds are channeled directly to community groups, which manage and are accountable for investments. It is estimated that 93 percent of program resources now reach communities, compared with 40 percent under the previous rural development programs and 20 percent under the first integrated rural development programs. Under the Zambia Social Recovery Program, IDA financing supports the provision of matching grants directly to urban and rural community groups. Communities choose from a menu of eligible social and economic infrastructure interventions. Impact evaluations of early interventions found that grant-financed schools and health centers performed better than similar institutions whose financing did not involve communities. Teachers and health workers attended more regularly; the physical infrastructure was better; more members of the community used the facilities, and they were more likely to pay school fees and organize health center maintenance committees.

Studies have confirmed the potential of CDD to make poverty reduction efforts more demand responsive, more inclusive, more sustainable, and more cost effective than traditional centrally led programs. CDD can fill a critical gap in poverty reduction efforts, achieving immediate and lasting results at the grassroots level and complementing market economy and state-run programs. However, CDD interventions need to be designed carefully to avoid capture of benefits by elites.

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BOX 3.4

Building local capacity through empowerment

Empowerment, for example through community-driven development, can stimulate and build on existing capacity at the local or community level. People who have survived by trying to solve problems in difficult economic and political conditions have considerable capacity to put their experience and skills to work, once they are empowered. What is perceived as a lack of local capacity is often a reflection of the fact that what local people want is different from what central planners want. When local people have the power to solve problems, they will have the incentive to organize, assess current ills, and work out solutions. The very act of wrestling with problems develops new skills. Capacity creation in this context is most effectively learning by doing, learning by use of power, learning by solving problems, and learning by making mistakes. This does not mean that skill development is not required. It means that skill development should be demand-driven. Once local governments are in place, they will soon identify which skills are most needed and in what sequence. The best solution is to empower local governments and local communities, and then offer collaborative support as skills are upgraded.

(Excerpt from *Community-Driven Development: A Vision of Poverty Reduction through Empowerment*, Africa Region, 2001, drawn in turn from conclusions of a technical consultation organized jointly by the World Bank, FAO, IFAD, and others.)

The Bank is also paying attention to the linkages between CDD and public sector decentralization efforts. Decentralizing functions and resources for cost-sharing to community governing structures can sustainably empower communities while creating the accountability and leadership required for good governance at the local level. There will be increased efforts, therefore, to foster a mutually reinforcing process between community development and local government development, an approach already being adopted by the Africa region (see box 3.5).

Supporting poor people's organizations. Poor people's networks and organizations enable them to negotiate with the state and private suppliers and buyers to work out more equitable relationships and access for their members. The Bank can assist in providing technical knowledge to these organizations. Likewise, support to small and microenterprises can help foster networks and associations of the poor through such mechanisms as business clusters, franchising, leasing and subcontracting; and business incubators. These are areas in which the Bank Group is exploring opportunities and innovative approaches—for example by

BOX 3.5

Examples of results achieved through community participation in the 1990s

Strengthening service provision through community participation in Mali. The IDA Second Health, Population, and Rural Water Project for Mali, approved in 1991, aimed to improve the delivery of health services in the countryside in partnership with local communities and with UNICEF. By 1998, nearly 300 new community health centers had been built. The percentage of the population living within 15 kilometers of a health facility more than doubled from 17 percent in 1995 to 39 percent in 1998. Community management committees were established for some government clinics, although staff continue to be employed by the government. Generic prescription drugs are now widely available, and prices are low enough for community health centers to cover recurrent costs from drug sales.

Decentralized community development in Indonesia. In 1998, the World Bank approved a loan to support decentralization through direct transfer of government funds to the kecamatans, Indonesia's subdistricts. The project lets people choose whether to use funds for "social goods" such as an infrastructure projects (roads, bridges, irrigation schemes, market places), that are funded through grants, or for individual "revolving funds" spurring small scale income-generating activities, that have to be paid back with interest. Transparency lies at the heart of the project. All financial transactions take place in public places, and virtually all information is made public. The project is monitored by independent regional NGOs and by Indonesian journalists, all of whom share their findings openly with no prior review. Cases of corruption, which exist, are tracked and recorded, and many are solved. Villagers like the project; participation in meetings is very high, especially since separate meetings for women were set up. Though it is too soon to gauge the project's long-term impact on poverty, its outputs are significant. By early 2001, 10,000 villages were receiving funds, building 10,000 km of roads and supplying communities with clean water. In the midst of Indonesia's economic crisis, the project also provided over 30 million man-days of paid labor in poor rural areas.

Decentralized community projects in Malawi. The Malawi Social Action Fund, launched in 1996 with IDA funding, finances self-help community projects. Project selection and monitoring is done by local advisory committees made up of NGO representatives, Social Fund staff, government officials, and beneficiaries. One example of a community program is that of the orphanages run by the NGO Friends of Orphans Community Care Center, which now support more than a thousand children and train caregivers to raise orphans, so they can remain in the community.

supporting small farmer producer organizations in West Africa. Supporting poor people's organizations is an area in which the Bank is innovating and experimenting with demonstration projects, while proceeding cautiously and consistently evaluating progress.

Enhancing accountability and enforcement

Improving systems for public sector planning, budgeting, monitoring, oversight, and enforcement. Public spending programs are one of the most important levers of public action for poverty reduction. The Bank's fiscal year 2001 Public Sector Strategy emphasizes the importance of sound, transparent, and participatory systems for the planning and budgeting of programs—and, at the aggregate level, of the national budget—for enhancing responsiveness of public authorities to the needs and demands of citizens including the poor. Making government and public sector institutions more accountable for their fiduciary responsibilities is important for improving governance and reducing corruption which bears especially heavily on poor people. Hence, developing accountability procedures whereby civil society has access to information to monitor performance effectively is also critical.

Bank-supported analytical work, including fiduciary assessments (see box 2.1, chapter 2), Public Expenditure Reviews (PERs), and Institutional and Governance Reviews, is helping countries to assess and strengthen public expenditure management, procurement, and financial management systems. New guidelines for PERs emphasize the need for increased attention to institutional and systemic enhancement of public expenditure management, including budget accounting and auditing. To build capacity and promote institutional change, the Bank has been increasingly undertaking collaborative PERs, for example in Tanzania and Mozambique. Institutional and Governance Reviews are being used to assess institutions, pinpoint performance failures, and analyze the feasibility of reform in the context of political realities and other constraints. Recent joint Bank-Fund work on expenditure tracking in HIPC countries is leading to the adoption of country action plans for improving performance.

The Bank is also paying greater attention to supporting the functioning of other institutions that strengthen public sector accountability, such as Ombudsman offices and public audit institutions. Support is growing for improved monitoring and evaluation systems and institutions that collect, evaluate, and publicize data on public sector performance, and for the use of participatory instruments such as citizen report cards, beneficiary assessments, and participatory poverty assessments, as well as new quantitative surveys.[5]

Moreover, the Bank is stepping up its efforts to integrate public expenditure management and related institutional concerns into its public expenditure analysis and lending programs. Poverty Reduction Support Credits (PRSCs), such as the recent operations for Uganda and Vietnam, are also expected to be used increasingly as an instrument for medium-term institutional capacity building.

Increasing access to information

Enhancing access to information in countries. The PRSP approach fosters increased national dialogue and dissemination of and exchange of information in countries. Better access to information is also being embedded in Bank projects—for example, the economic governance component of a pipeline project for Ghana will support reforms in information and public disclosure policy. Bank engagement in country dialogue on budget management is promoting disclosure and publication of budget allocation and execution information. The Bank has also begun to support media development and training. In its knowledge management work, the Bank has increasingly used its external web site, its publications, and, most recently, the Global Development Gateway as a means of increasing the availability of information.

Bank disclosure policy. The Bank is taking significant steps to improve the disclosure of its own documents. The new disclosure policy aims not only to increase the number and types of documents made public but also to proactively disseminate information, especially to those affected by Bank operations.

Security

The *WDR 2000/2001* stresses the importance of efforts to reduce the vulnerability of poor people to economic shocks, natural disasters, ill health, disability, and personal violence, and the risks that these pose. Risk and vulnerability are particularly important drivers of poverty in many countries, including middle-income ones.

The social risk management framework and its implementation

The Bank is working to incorporate risk management at the macroeconomic, financial, sectoral, and household levels in its overall support for poverty reduction. The Social Risk

Management Framework, laid out in the Bank's new social protection strategy, represents a key step in operationalizing the security dimension of the *WDR*. Managing risks requires actions to reduce poor people's insecurity (e.g., through skills building and making labor markets more inclusive), offset the risks they face (e.g., by improving old age income security, providing appropriate unemployment benefits, and fostering the development of self-insurance schemes), and promote mechanisms for coping with risk and vulnerability (e.g., through appropriately designed safety net programs, including social funds). The Social Risk Management Framework also supports the incorporation of risk management components into market-based reforms, for example, rethinking micro-finance in the context of social protection programs, building financial literacy, and so on.

Regional social risk management strategies are being prepared. In East Asia and Latin America, the strategies stress labor market issues (including insurance mechanisms for informal sector workers and severance pay arrangements for formal sector workers), the financial sustainability of social security systems (particularly of pension systems), and social safety nets (including enhancing design to make programs more counter-cyclical). In Africa, attention will focus on enhancing the coverage, readiness, and targeting of safety nets; developing operations in the areas of conflict prevention and post-conflict intervention; direct support for community-based care of orphans and other especially vulnerable children (see the Malawi example in box 3.5); innovative forms of insurance and multi-risk social protection budgetary funds; structuring demand- and supply-side measures to maintain consumption of social services after a shock; establishment of micro-finance mechanisms; civil code reform to enhance the property rights of women and children; and better drought and disaster preparedness.

In Eastern Europe, the strategy will emphasize enhancing the flexibility of labor markets, pension and unemployment insurance reforms, and means-tested social assistance systems that foster work incentives. In Central Asia, risk management will focus on efforts to attain macroeconomic stability and restructuring, and on social protection efforts targeted towards poverty relief. In South Asia, the regional strategy emphasizes the importance of informal institutions for credit and insurance as critical mechanisms for coping with risk.

In addition to the development of regional strategies, several country vulnerability assessments are underway, including five in the Latin America and Caribbean region, which has also completed a regional study on risk and insecurity.[6] These efforts are yielding better understanding of the behavior of households during crisis and of the effectiveness and efficiency of alternative safety net options (for example in Mexico and Argentina).

While the risk management framework is being applied within the social protection portfolio, it is still in the process of becoming an integral part of Bank country strategy. Further analytical work on vulnerability is required at the country and sector level, to refine the approach and broaden the diagnosis and design of interventions beyond the social protection dimension. Some recent sector strategies have begun to address issues of risk and vulnerability. For example, the forthcoming Private Sector Development Strategy highlights the role of private sector development in protecting individuals from arbitrary treatment and expropriation. The Environment Sector Strategy outlines approaches to be adopted to reduce vulnerability to environmental risk, for example through community-based ecosystem service initiatives and vulnerability reduction investments. The Urban Sector Strategy focuses on measures to enhance safety and security in urban areas. Given the particular exposure of poor rural households and small-scale entrepreneurs to insecurity and its consequences, risk management issues will be important elements of the Rural Development and Private Sector Development Strategies currently being formulated.

Bank operations also support measures to reduce risk and vulnerability. In the financial sector, Special Financial Operations help countries cope with financial crises, and may be widened to cover other vulnerabilities. As noted in chapter 2, a new draw-down facility to help middle-income countries offset volatility in the case of a serious economic shock is also being considered. In the environment sector, Bank operations have successfully supported over the years environmental and resource management measures designed to enhance poor people's security (see box 3.6).

To operationalize the security dimension of the *WDR* the Bank is also working with others to address several open issues through research and debate. Defining indicators and measures of risk and vulnerability is a starting point for this work and is currently underway. More work is also being done to understand the importance of insecurity as a dimension and cause of poverty. For example, insights into the long-term impact on household poverty of a series of short-term shocks can have important implications for the design of effective safety net strategies. Household surveys need to be modified to capture risk issues. Moreover, systematic evaluation will be required of the wide range of alternative interventions for reducing risk and providing insurance for the poor.

BOX 3.6

Reducing vulnerability through better resource management in Colombia and Turkey

Afro-Colombians make up 90 percent of the population in the Choco' region along Colombia's Pacific coast, and they are among the country's poorest. In 1994, the Bank approved a Natural Resources Management Program, which helped these groups obtain titles to their land while preserving their cultural and ethnic identities. A new law recognizes Afro-Colombian communities as ethnic groups with collective territorial rights. By 2001, the program has helped 58 community councils gain titles to 2.38 million hectares of land, benefiting over 22,000 families and 100,000 people. The project's participatory approach has encouraged environmental conservation and bolstered the bonds between local residents and state institutions in the face of increasing violence by guerrilla and paramilitary groups.

When the Bank approved the Eastern Anatolia Watershed Rehabilitation project in 1993, it looked for innovative ways to make watershed rehabilitation work. Project design centered on village participation; local farmers, working with project staff in the field, came up with the goals, not the central government. New cash crops and new techniques are boosting production dramatically, and rural incomes have at least doubled. Satellite images reveal that reforestation is taking place; by December 1999, trees had been planted on 60,000 hectares of land.

Disaster mitigation and management

Progress has been made in enhancing poor people's security in the area of natural disaster management and mitigation. A Disaster Management Facility has been established to promote a strategic response to disaster emergencies and to integrate disaster prevention and preparedness into development efforts. The Facility has adopted a comprehensive risk management strategy—identifying hazard and risk exposure in client countries to inform program designs; reducing risks by including measures to avoid hazards (for example, through land use planning) and to withstand disasters (building codes); transferring or sharing risks that cannot be reduced (e.g., advance disaster risk awareness, traditional or informal insurance mechanisms, calamity funds); and sharing information, raising awareness, and training.

Recent Bank-supported reconstruction projects—such as those following the Turkey earthquake, floods in Cambodia, Mozambique, and Vietnam, cyclones in Madagascar, Hurricane Mitch in Central America, and the earthquake in Gujarat—have moved beyond rebuilding to focus on strengthening resilience against future disasters. Importantly, the Bank is including disaster mitigation and management in upstream national strategy design—in dialogue and assistance on national program design in Mexico; in the context of PRSP preparation in Vietnam; and in CASs for Bangladesh and Mozambique. As a consequence, the Bank is undertaking more investment with a focus on prevention and mitigation (for example, in Honduras, Mexico, and Vietnam).

Conflict mitigation and post-conflict reconstruction

The Bank is also striving to help countries to improve security in the context of conflict and violence, focusing specifically on areas within its mandate and competencies, such as economic, social, and judicial policy. A Post Conflict Unit is working to ensure that country strategies and programs include a broader understanding of security and conflict, including underlying institutional and social tensions. Guidance to staff on *Development Cooperation and Conflict* calls for analytical work in this area to underpin Bank support strategies, CASs, and PRSPs. Recent work in Sri Lanka offers an example of how to gain a better understanding of the ways in which war affects people's lives, and is helping the government to improve its policy framework while also informing the development of the Poverty Assessment and CAS.[7] The Bank is building a database of good practices to complement guidance to staff. In addition, the Conflict Prevention and Reconstruction Unit is administering the Post-Conflict Fund, which is providing support to 24 of 37 countries currently considered to be conflict-affected.

Notes

1. One example is a project in Ecuador which has improved access to such services among women and children. The Bank is also engaged in research on diagnosing country-specific judicial and legal issues with a view to developing solutions.

2. Many micro-finance institutions hold promise, but better discipline is required, especially to make subsidies through such institutions explicit and part of the strategy for reducing poverty. Debate continues on the extent to which subsidies are warranted. The World Bank has criteria for subsidies with respect to financial intermediation. Likewise there are draft guidelines on supporting market development of business development services, including a section on subsidies.

3. For example, a World Bank project in Andhra Pradesh, India, is supporting a performance scoring system to assign a credit rating for self-help groups. In the Dominican Republic, India, and

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Swaziland some financial institutions are beginning to use smart cards with an embedded microchip containing information on a client's credit history to reduce transactions costs and establish credit history.

4. Not all goods and services are best managed through collective action at the community level. Public goods that span many communities or that require large and complex systems are often better provided by local or central government. And many private goods are often better provided using a market-based approach, relying more on individual enterprise than on collective action.

5. A country where data collection and publication have yielded tangible results is Uganda. When expenditure tracking surveys revealed that budgeted non-wage expenditures were not reaching district schools, subsequent publication of these budget transfers contributed to a dramatic increase in non-wage financing.

6. *Securing our Future in a Global Economy, 2000.*

7. The Sri Lanka *Framework for Relief, Rehabilitation, and Reconciliation* was launched initially under the leadership of the World Bank and was more recently taken over by the government of Sri Lanka. Jointly with other development partners, the Bank helped the government develop a consultative mechanism to bring civil society, communities, and donors together to identify constraints to the delivery of relief and rehabilitation to war-affected areas and improve reconciliation efforts. Consultations involving 2,500 people all over the country, including communities in the war-affected Northeast, led to a better understanding of how the war affects people's lives.

CHAPTER 4
Challenges Ahead

Chapters 2 and 3 outlined the steps the Bank is taking to orient its activities, analytical work, and the design and implementation of operations towards achieving the international development goals and implementing the *WDR 2000/2001*. This chapter summarizes some of the main challenges we face in 2002 and beyond.

Country orientation

Continuing to align Bank activities with country-owned strategies, as set forth in the Bank's country business model, is crucial to increase the impact of aid. This implies moving ahead with the implementation of the PRSP approach in low-income countries and emphasizing country ownership in middle-income countries. In particular, Bank CASs, as the Bank's program linked to the country's vision, are increasingly responsive to countries' priorities—following the good practice established in fiscal year 2001. Lending instruments are also more closely linked to PRSPs—supporting priorities established through national processes, using established monitoring indicators, focusing conditionality to key areas, and practicing transparency.

Practicing the principles of country orientation presents challenges. The need of donors to be assured that the funds they provide are used effectively and efficiently for poverty reduction poses constraints to the scope of policies that can be supported. While careful consideration of individual countries' conditions and needs, along with open discussion of policy alternatives and better understanding of their poverty and social impacts, can be expected over time to enhance the convergence between the priorities of countries and external partners including the Bank, this will not always be a quick or easy process.

Additionally, the early stages of implementation of the PRSP approach have been marked by rapid preparation of I-PRSPs, reflecting countries' and development partners' concerns about securing early access to debt relief. As countries move towards developing their first full PRSPs, the quality of strategy preparation is being emphasized over speed. The broad-based participatory processes that are crucial for widely shared ownership are being encouraged in ways that maximize participation (including that of poor people) while respecting governments' and parliaments' sovereignty. Since not all low- (or middle-) income countries have well-established traditions of participation, building participatory processes under these circumstances will require care, time, and effort.

Partnerships

Another challenge embodied in the CDF principles, the PRSP approach, and the *WDR 2000/2001* is that of strengthening the concept and practice of partnership—not only with client countries but also with other donor organizations. Real progress is being made in this area. Collaboration between the Bank and the IMF in the PRSP context has become increasingly close through joint work on Joint Staff Assessments of I-PRSPs and full PRSPs, mechanisms such as the Bank-Fund Joint Implementation Committee (which coordinates the two institutions' efforts), and joint work on, e.g., poverty and social impact assessment and streamlining conditionalities in line with the primary areas of focus of each institution (macroeconomic policy for the IMF, structural and sectoral policies for the Bank).

Progress is also evident in collaboration with other multilateral and bilateral donor agencies. A joint memorandum on good practice in working together has been prepared by the Asian Development Bank and the Bank and the IMF, and work is ongoing to harmonize the procedures of the Multilateral Development Banks, the Bank and the IMF. The European Union has decided to use PRSPs as the basis for its assistance to the poorest developing countries in the Africa, Caribbean, and Pacific regions. In April 2001, the High-Level Meeting of the Development Assistance Committee (DAC) of the OECD approved guidelines on poverty reduction for its members. Multi-donor working groups have

been formed at the country level to support the PRSP approach. Successive Bank-IMF PRSP Progress Reports have documented progress with partnerships, including closer interaction with United Nations agencies—notably the UNDP, the ILO and the WHO—and with nongovernmental organizations. Finally, as noted in previous chapters, the Bank is working with other partners at the regional and global levels on issues relevant to poverty reduction goals.

That having been said, we are further intensifying these efforts. Better donor collaboration is essential to maximize aid effectiveness, and to reduce the burden on countries of duplicative or even conflicting donor relations. And we are encouraging other donors to expand their financial and technical support for both low-income and middle-income countries as appropriate within a coordinated, country-centered overall assistance framework.

Further changes in the way we do business

Making a reality of country orientation and an enhanced partnership approach entails changes that go beyond policies and processes, important though such changes are. In a fundamental sense, changes in our institutional culture—not only what we do but the ways in which we do it—will influence success.

Applying the multifaceted approach to poverty reduction described in the *WDR 2000/2001* calls for integrative and interdisciplinary teamwork among and within country teams. At the country level, sectoral staff are becoming more involved in the design of the country vision through PRSP and other strategic work. Within the Bank, inter-network cooperation has made a good start, as has country team-network cooperation. Better internal procedures, for example, to involve sectoral staff in the preparation of Joint Staff Assessments of I-PRSPs and PRSPs, are helping in this respect.

More work is also required to integrate cross-sectoral approaches in important areas such as governance and gender concerns. Progress has been made on governance, both through the completion of the Bank's public sector strategy and in terms of integrating governance concerns in country and project work—including, for example, initiatives to help strengthen public expenditure management at the national level and financial management standards for operations at the project level. With respect to gender, the Gender Strategy proposes concrete actions such as capacity building and country-level analytical work to assist not only countries but also Bank staff in better integrating gender issues. More generally, better integration of sectoral and cross-cutting elements of sector strategies with Country Assistance Strategies will require attention in the next year.

Enhancing staff skills is another challenge. We need strong behavioral and integrative skills at all levels to work effectively in the new CDF/PRSP framework; better cross-sectoral and integrative professional skills to address corporate advocacy priorities and global public goods priorities; more effective managerial skills for leaders; and learning tools better suited to organizational needs. The Bank is responding to these challenges by reformulating its Staff Learning Program along three lines. First, learning is being scaled up for operational teams, including a new pilot program for cross-sectoral teams working on PRSPs, offering PRSP pre-mission clinics and PRSP seminars. A new operational core curriculum is also being rolled out covering analytical, safeguard, fiduciary, and other basic skills and knowledge. Skills related to the dynamics and determinants of pro-poor growth and the impact of policies on poverty reduction are being emphasized. Second, management learning is being revamped to strengthen management performance. Third, learning tools and methods are being improved for higher impact learning, including through greater reliance on "action" learning, team-based learning, and e-learning. In addition to formal learning, practical learning-by-doing is taking place.

A significant amount of learning and exchanging of experiences associated with implementing PRSPs is already underway among country teams. The PRSP Sourcebook, developed to assist countries with PRSP preparation, also offers Bank staff substantive and focused intellectual guidance on macroeconomic, sectoral, and cross-cutting issues critical for effective poverty reduction. The Sourcebook forms the basis for many of the PRSP learning events taking place throughout the Bank, for example, in the health and education areas.

Finally, over time, our incentive structure is increasingly emphasizing country ownership, results and accountability, and this should play a major role in changing behavior and culture among managers and staff. Many examples already exist of better alignment of our work with national priorities, and of clients commenting on positive changes in attitudes and behavior among front-line staff. But there is always room for improvement.

Mainstreaming the *WDR 2000/2001*

Ensuring that Bank activities support actions in the three areas identified by the *WDR 2000/2001* poses specific challenges. In the area of creating opportunities, the key

challenges are to better understand what pro-poor growth means and how it can be supported. What policies not only raise average incomes and living standards, but also those of the poor, hopefully more than proportionately? Analytical questions with respect to pro-poor growth are being addressed at both the macro and micro levels. At the macro level, this means asking what are the consequences for different social groups, and specifically those comprising the poor (rural, urban, regional, minorities, disadvantaged groups) of market-oriented policies, and which policies can deliver the best growth and poverty reduction outcomes under specific country circumstances. From a micro point of view, we are asking what are the impediments to fuller participation of the poor in economic activities; how is access to productive factors, such as land and capital, constrained; what are the physical and informational barriers to accessing markets, and so on. Substantial amounts of data and analytical work will be carried out to move from abstract principles to concrete, country-specific actions.

In the area of empowerment, one key challenge is to clarify the areas in which the Bank has the mandate, expertise, and comparative advantage. A second challenge, as noted in chapter 3, is determining how we can reorient Bank work so that it is both better informed by the views of poor people and draws more on their contributions. Finally, a third key challenge is to support the strengthening of public institutions, especially at the local level, to improve governance and provide efficient and effective services to poor people. The Bank is stepping up its support for innovative approaches in this area, including CDD-type interventions, but is doing so with caution, putting into place appropriate fiduciary and monitoring and evaluation systems. We are currently undertaking wide-ranging discussions of these and other issues in the preparation of a sourcebook for staff on empowerment.

In the area of enhancing security, we are mainstreaming systematic risk and vulnerability analysis and use the risk management framework more consistently in the preparation of country strategies and individual operations. Detailed regional and country social protection action plans are being developed and lending and non-lending work designed to help the poor and vulnerable reduce, mitigate, and cope with risks in the context of economic shocks, natural disasters, and conflict is being strengthened.

Analytical work

Effective implementation of the *WDR 2000/2001* framework will require Bank assistance to be informed by good analyses of the poverty situation and of the linkages between public actions and poverty outcomes. The Bank is committing additional resources to strengthen analytical work on poverty issues. This analytical work will improve on past practice in a number of respects:

- in most cases, it will be done jointly with country counterparts to build capacity, and with other partners;
- it will support in-country participatory processes aimed at reaching broad consensus on methodologies, results, and possible strategies;
- it will take a multidimensional view of poverty, considering empowerment and security dimensions in addition to economic and human capital development considerations, and will integrate institutional, social, gender, and environmental concerns;
- whenever possible, it will employ both quantitative and qualitative methodologies;
- it will describe the building blocks for pro-poor growth, with particular emphasis on the poverty and social impacts of market-oriented reforms.

These new directions will be reflected in revised guidelines for analytical work on poverty.

Monitoring and evaluation

Finally, a stronger focus on monitoring and evaluating results, both at the Bank and in countries, is essential for supporting progress towards meeting the Millennium Development Goals and reducing poverty along the dimensions identified by the *WDR 2000/2001*. This means developing and refining indicators for the empowerment and security dimensions of poverty, expanding the use of indicators of performance based on results on the ground, incorporating them in policy formulation and in our country assistance strategies, and applying them rigorously in assessing our activities and operations.

Annexes

ANNEX A. SUMMARIES OF COMPLETED POVERTY ASSESSMENTS, FISCAL YEARS 2000 AND 2001

Note: Summaries of completed poverty assessments are available on the Poverty Net web site, at http://wbln0018.worldbank.org/dg/povertys.nsf/Poverty+assessment?openview&count=1999, so they are no longer included in this report. See Annex B for the number of poverty assessments completed by region and Annex C for full report titles and document numbers.

Annex B. Poverty Assessments Completed, Fiscal Years 1989–2001

	Completed			
	FY89–99	*FY00*	*FY01*	*Total*
East Asia and the Pacific	12	4	1	17
Europe and Central Asia	18	6	4	28
Latin America and the Caribbean	28	6	3	37
Middle East and North Africa	6	1	2	9
South Asia	10	1	2	13
Sub-Saharan Africa	39	1	0	40
Total	113[a]	19[b]	12[c]	144[d]

[a] Includes 93 first-round poverty assessments and 20 updates.
[b] Includes 7 first-round poverty assessments and 12 updates.
[c] Includes 2 first-round poverty assessments and 10 updates.
[d] Includes 102 first-round poverty assessments and 42 updates.

Note: Some country teams prepared a poverty note instead of a full poverty assessment for reasons that include political constraints and data or resource limitations. While poverty notes do not contain the same level of comprehensive analysis as a full poverty assessment, they serve as a springboard for action and further analysis. Poverty notes, which are not included in the table above, have been completed for the following countries: Burkina Faso (fiscal 1997), Central African Republic (fiscal 1998), Papua New Guinea (fiscal 2000), and Turkmenistan (fiscal 2001).

ANNEX C. LIST OF COMPLETED POVERTY ASSESSMENTS, FISCAL YEARS 1989–2001

Country	Report Title	Report No.
EAST ASIA AND THE PACIFIC		
Cambodia	Poverty Assessment	19858-KH
China	Strategies for Reducing Poverty in the 1990s	10409-CHA
China (update)	Overcoming Rural Poverty	21105-CHA
Fiji	Restoring Growth in a Changing Global Environment	13862-FIJ
Indonesia	Poverty Assessment and Strategy Report	8034-IND
Indonesia (update)	Public Expenditures, Prices and the Poor	11293-IND
Indonesia (update)	Poverty Reduction in Indonesia: Constructing a New Strategy	23028-IND
Lao PDR	Social Development Assessment and Strategy	13992-LA
Malaysia	Growth, Poverty Alleviation and Improved Income Distribution in Malaysia	8667-MA
Mongolia	Poverty in a Transition Economy	15723-MOG
Philippines	The Philippines: The Challenge of Poverty	7144-PH
Philippines (update)	An Opening for Sustained Growth	11061-PH
Philippines (update)	A Strategy to Fight Poverty	14933-PH
Philippines (update)	Poverty Assessment	20498-PH
Thailand	Growth, Poverty, and Income Distribution: An Economic Report	15689-TH
Vietnam	Poverty Assessment and Strategy	13442-VN
Vietnam (update)	Development Report 2000: Attacking Poverty: Country Economic Memorandum	19914-VN
EUROPE AND CENTRAL ASIA		
Albania	Growing Out of Poverty	15698-ALB
Albania (update)	A Qualitative Assessment of Poverty in Ten Areas of Albania	—
Armenia	Confronting Poverty Issues	15693-AM
Armenia (update)	Assistance in Armenia	19385-AM
Azerbaijan	Poverty Assessment	15601-AZ
Belarus	An Assessment of Poverty and Prospects for Improved Living Standards	15380-BY
Bulgaria	Poverty During the Transition	18411-BUL
Croatia	Economic Vulnerability and Welfare Study	22079-HR
Estonia	Living Standards During the Transition	15647-EE
Georgia	Poverty and Income Distribution (2 volumes)	19348-GE
Georgia (update)	Poverty Update	22350-GE
Hungary	Poverty and Social Transfers	14658-HU
Hungary (update)	Long-Term Poverty, Social Protection, and the Labor Market (2 volumes)	20645-HU
Kazakhstan	Living Standards During the Transition	17520-KZ
Kyrgyz Republic	Poverty Assessment and Strategy	14380-KG
Kyrgyz Republic (update)	Update on Poverty in the Kyrgyz Republic	19425-KG
Kyrgyz Republic (update)	Poverty in the 1990s in the Kyrgyz Republic	21721-KG
Latvia	Poverty Assessment (2 volumes)	20707-LV
Macedonia, FYR	Focusing on the Poor (2 volumes)	19411-MK
Moldova	Poverty Assessment	19926-MD
Poland	Poverty in Poland	13051-POL
Romania	Poverty and Social Policy	16462-RO
Russia	Poverty in Russia: An Assessment	14110-RU
Russia (update)	Targeting and the Longer-Term Poor (2 volumes)	19377-RU
Slovak Republic	Living Standards, Employment and Labor Market Study	22351-SK
Tajikistan	Poverty Assessment	20285-TJ
Turkey	Economic Reforms, Living Standards, and Social Welfare Study	20029-TR
Ukraine	Poverty in Ukraine	15602-UA
LATIN AMERICA AND THE CARIBBEAN		
Argentina	Argentina's Poor: A Profile	13318-AR
Argentina (update)	Poor People in a Rich Country (2 volumes)	19992-AR
Bolivia	Poverty Report	8643-BO
Bolivia (update)	Poverty Equity & Income: Selected Policies for Expanding Earning Opportunities for the Poor (2 volumes)	15272-BO
Brazil	Brazil: A Poverty Assessment (2 volumes)	14323-BR
Chile	Social Development Progress in Chile: Achievement and Challenges	8550-CH
Chile (update)	Poverty and Income Distribution in a High-Growth Economy: The Case of Chile 1987–98	22037-CH
Colombia	Poverty Assessment Report (2 volumes)	12673-CO
Costa Rica	Public Sector Social Spending	8519-CR
Costa Rica (update)	Identifying the Social Needs of the Poor: An Update	15449-CR
Dominican Republic	Growth with Equity: An Agenda for Reform	13619-DO
Dominican Republic (update)	Poverty Assessment: Poverty in a High-Growth Economy (1986–2000)	21306-DO

Country	Report Title	Report No.
Ecuador	A Social Sector Strategy for the Nineties	8935-EC
Ecuador (update)	Poverty Report	14533-EC
El Salvador	The Challenge of Poverty Alleviation	12315-ES
Guatemala	An Assessment of Poverty	12313-GU
Guyana	Strategies for Reducing Poverty	12861-GUA
Haiti	The Challenges of Poverty Reduction (2 volumes)	17242-HA
Honduras	Country Economic Memorandum/Poverty Assessment	13317-HO
Honduras (update)	Poverty Diagnostic 2000	20531-HO
Jamaica	A Strategy for Growth and Poverty Reduction	12702-JM
Mexico	Mexico in Transition: Towards a New Role for the Public Sector	8770-ME
Nicaragua	Poverty Assessment	14038-NI
Nicaragua (update)	Poverty Assessment: Challenges and Opportunities for Poverty Reduction (2 volumes)	20488-NI
Panama	Poverty Assessment: Priorities and Strategies for Poverty Reduction (2 volumes)	18801-PAN
Paraguay	Public Expenditure Review—the Social Sectors	10193-PA
Paraguay (update)	Poverty and the Social Sectors in Paraguay: A Poverty Assessment	12293-PA
Peru	Poverty Assessment & Social Sector Policies & Programs for the Poor	11191-PE
Peru (update)	Poverty and Social Developments in Peru, 1994–1997	ISSN: 0253-2123
Trinidad and Tobago	Poverty and Unemployment in an Oil Based Economy	14382-TR
Uruguay	Poverty Assessment: Public Social Expenditures and Their Impact on the Income Distribution	9663-UR
Uruguay (update)	Maintaining Social Equity in a Changing Economy	21262-UR
Venezuela	From Generalized Subsidies to Targeted Programs	9114-VE
Venezuela (update)	Investing in Human Capital for Growth, Prosperity, and Poverty Reduction	21833-VE
MIDDLE EAST AND NORTH AFRICA		
Algeria	Growth, Employment, and Poverty Reduction (2 volumes)	18564-AL
Egypt, Arab Republic of	Alleviating Poverty During Structural Adjustment	9838-EGT
Jordan	Poverty Assessment	12675-JO
Morocco	Poverty, Adjustment, and Growth	11918-MOR
Morocco (update)	Poverty Update	21506-MOR
Tunisia	Poverty Alleviation: Preserving Progress while Preparing for the Future (2 volumes)	13993-TUN
West Bank and Gaza	Poverty in the West Bank and Gaza	22312-GZ
Yemen, Republic of	Poverty Assessment	15158-YEM
SOUTH ASIA		
Bangladesh	Bangladesh Poverty and Public Expenditures: An Evaluation of the Impact of Selected Government Progs.	7946-BD
Bangladesh (update)	From Counting the Poor to Making the Poor Count	17534-BD
India	Poverty, Employment and Social Services	7617-IN
India (update)	Achievements and Challenges in Reducing Poverty	16483-IN
India (update)	Reducing Poverty in India	17881-IN
India (update)	Policies to Reduce Poverty and Accelerate Sustainable Development	19471-IN
Nepal	Relieving Poverty in a Resource-Scarce Economy	8635-NEP
Nepal (update)	Poverty in Nepal at the Turn of the Twenty-First Century	18639-NEP
Pakistan	A Profile of Poverty	8848-PAK
Pakistan (update)	Poverty Assessment	14397-PAK
Sri Lanka	Poverty Assessment	13431-CE
Sri Lanka (update)	Poverty Assessment	22535-CE
SUB-SAHARAN AFRICA		
Benin	Toward a Poverty Alleviation Strategy for Benin	12706-BEN
Burundi	Poverty Note: Prospects for Social Protection in a Crisis Economy	17909-BU
Cameroon	Diversity, Growth, and Poverty Reduction	13167-CM
Cape Verde	Poverty in Cape Verde: A Summary Assessment and a Strategy for its Alleviation	13126-CV
Chad	Poverty Assessment: Constraints to Rural Development	16567-CD
Comoros	Poverty and Growth in a Traditional Small Island Economy	13401-COM
Congo	Poverty Assessment	16043-COB
Cote d'Ivoire	Poverty in Cote d'Ivoire: A Framework for Action	15640-IVC
Djibouti	Crossroads of the Horn of Africa Poverty Assessment	16543-DJI
Eritrea	Poverty Assessment	15595-ER
Ethiopia	Toward Poverty Alleviation and a Social Action Program	11306-ET
Gabon	Poverty in a Rent-Based Economy	16333-GA
The Gambia	An Assessment of Poverty	11941-GM
Ghana	2000 and Beyond: Setting the Stage for Accelerated Growth and Poverty Reduction	11486-GH
Ghana (update)	Ghana: Poverty Past, Present, and Future	14504-GH
Guinea	A Socioeconomic Assessment of Well-Being and Poverty	16465-GUI
Guinea-Bissau	Poverty Assessment and Social Sector Strategy Review	13155-GUB

Country	*Report Title*	*Report No.*
Kenya	Poverty Assessment	13152-KE
Lesotho	Poverty Assessment	13171-LSO
Madagascar	Poverty Assessment	14044-MAG
Malawi	Growth Through Poverty Reduction	8140-MAI
Malawi (update)	Human Resources and Poverty: Profile and Priorities for Action	15437-MAI
Mali	Assessment of Living Conditions	11842-MLI
Mauritania	Poverty Assessment	12182-MAU
Mauritius	CEM: Sharpening the Competitive Edge	13215-MAS
Mozambique	Poverty Reduction Framework Paper*	None
Namibia	Poverty Alleviation with Sustainable Growth	9510-NAM
Niger	A Resilient People in a Harsh Environment: Niger Poverty Assessment	15344-NIR
Nigeria	Poverty in the Midst of Plenty: The Challenge of Growth with Inclusion	14733-UNI
Rwanda	Poverty Reduction and Sustainable Growth	12465-RW
Rwanda (update)	Poverty Note: Rebuilding an Equitable Society—Poverty and Poverty Reduction After the Genocide	17792-RW
Senegal	An Assessment of Living Conditions (2 volumes)	12517-SE
Seychelles	Poverty in Paradise	12423-SEY
Sierra Leone	Policies for Sustained Economic Growth and Poverty Alleviation	11371-SL
Swaziland	Reducing Poverty Through Shared Growth	19658-SZ
Tanzania	The Challenge of Reforms: Growth, Incomes, and Welfare	14982-TA
Togo	Overcoming the Crisis, Overcoming Poverty: A World Bank Poverty Assessment	15526-TO
Uganda	Growing Out of Poverty	11380-UG
Zambia	Poverty Assessment	12985-ZA
Zimbabwe	Achieving Shared Growth: Country Economic Memorandum (2 volumes)	13540-ZIM

* Document was prepared for consultative group meeting.

ANNEX D. PROGRAM OF TARGETED INTERVENTIONS, FISCAL YEARS 1992–2001

TABLE D-1

Program of Targeted Interventions (PTI), fiscal 1992–2001

Lending	*FY92*[a]	*FY93*	*FY94*	*FY95*	*FY96*	*FY97*	*FY98*	*FY99*	*FY00*	*FY01*
World Bank (IBRD & IDA) PTI lending										
Millions of dollars	3,836.4	4,673.8	4,440.5	5,436.7	5,408.1	4,090.0	6,733.3	6,165.2	3,050.2	3,593.8
Percentage of investment lending[b]	25	27	25	32	32	29	40	49	34	34
Total no. of projects in the PTI	57	72	63	75	79	77	101	111	63	62
Total no. of projects	187	214	197	208	223	203	240	216	193	190
IDA PTI										
Millions of dollars	1,812.3	2,136.7	1,853.0	2,423.2	3,246.0	1,873.5	3,266.8	3,032.6	1,828.0	1,892.1
Percentage of IDA investment lending[b]	44	41	43	54	63	53	54	62	51	41
Total no. of IDA-funded projects in the PTI[c]	34	44	35	46	50	36	55	69	40	38

Note: A project is included in the PTI if it has a specific mechanism for targeting the poor and/or if the proportion of poor people among its beneficiaries is significantly larger than the proportion of the poor in the total population.

[a] Fiscal 1992 figures differ from those in Implementing the World Bank's Strategy to Reduce Poverty (World Bank, 1993a) because they include seven projects that were added to the PTI after the earlier report went to press.

[b] Investment lending includes all lending except for adjustment, debt and debt-service reduction operations, and emergency recovery loans, which are distinct from regular investment operations (see Annex F).

[c] The number of IDA-funded projects in the PTI excludes joint IBRD/IDA projects, which are counted only once, as IBRD projects. There was one such PTI project in fiscal 1992, two in fiscal 1995, one in fiscal 1996, one in fiscal 1997, four in fiscal 1998, eight in fiscal 1999, two in fiscal 2000, and one in fiscal 2001.

TABLE D-2

Program of Targeted Interventions (PTI) by sector, fiscal 1992–2001

Sector	*FY92–94*	*FY93–95*	*FY94–96*	*FY95–97*	*FY96–98*	*FY97–99*	*FY98–00*	*FY99–01*
PTI lending as percentage of total investment lending[a] (IDA and IBRD)								
Agriculture	28	32	42	49	47	50	54	65
Education	72	67	63	56	62	60	62	56
Health, Nutrition, & Population	75	80	75	78	78	81	77	70
Social Protection	84	97	96	93	92	93	95	82
Urban development	38	36	28	29	41	65	62	37
Water supply & sanitation	46	39	29	22	32	34	46	36
Other sectors	6	6	8	10	12	17	18	15
IDA PTI lending as percentage of IDA investment lending[a]								
Agriculture	46	44	54	61	61	58	62	76
Education	76	84	93	90	89	78	79	57
Health, Nutrition, & Population	87	88	93	93	95	95	91	77
Social Protection	72	92	93	94	94	92	89	87
Urban development	29	25	37	49	65	82	79	51
Water supply & sanitation	57	48	59	45	29	28	26	25
Other sectors	12	11	12	18	21	29	26	27

Note: Figures differ from those in earlier reports because of recent sector reclassification of operations.

[a] Investment lending includes all lending except for adjustment, debt and debt-service reduction operations, and emergency recovery loans, which are distinct from regular investment operations in objective and format.

Source: World Bank.

TABLE D-3A

Program of Targeted Interventions (PTI) lending by region, fiscal 2000

	Sub-Saharan Africa	*East Asia and the Pacific*	*Europe and Central Asia*	*Latin America and the Caribbean*	*Middle East and North Africa*	*South Asia*	*Total*
Total PTI lending							
Millions of dollars	550.2	477.4	185.4	579.1	392.5	865.6	3,050.2
Investment lending	1,599.5	2,427.1	1,319.0	978.7	836.6	1,861.1	9,022.0
Percentage of investment lending	34	20	14	59	47	47	34
Total number of PTI projects	21	8	4	15	5	10	63
IDA PTI lending							
Millions of dollars	550.2	218.1	25.4	64.8	103.9	865.6	1,828.0
IDA investment lending	1,501.8	421.8	293.5	165.3	159.8	1,053.1	3,595.3
Percentage of IDA investment lending	37	52	9	39	65	82	51
Total no. of IDA-funded projects in the PTI[a]	21	3	2	2	2	10	40

[a] The number of IDA-funded projects in the PTI excludes joint IBRD/IDA projects, which are counted only once, as IBRD projects. There was one such PTI project in fiscal 1992, two in fiscal 1995, one in fiscal 1996, one in fiscal 1997, four in fiscal 1998, eight in fiscal 1999, two in fiscal 2000, and one in fiscal 2001.
Source: World Bank.

TABLE D-3B

Program of Targeted Interventions (PTI) lending by region, fiscal 2001

	Sub-Saharan Africa	*East Asia and the Pacific*	*Europe and Central Asia*	*Latin America and the Caribbean*	*Middle East and North Africa*	*South Asia*	*Total*
Total PTI lending							
Millions of dollars	707.8	439.7	182.5	1,527.2	138.9	597.7	3,593.8
Investment lending	2,128.5	1,838.8	1,561.5	2,108.4	322.5	2,746.5	10,706.2
Percentage of investment lending	33	24	12	72	43	22	34
Total number of PTI projects	13	3	8	24	5	9	62
IDA PTI lending							
Millions of dollars	707.8	230.8	60.0	209.5	86.3	597.7	1,892.1
IDA investment lending	2,128.5	702.7	364.0	426.2	152.3	786.5	4,560.2
Percentage of IDA investment lending	33	33	16	49	57	76	41
Total no. of IDA-funded projects in the PTI[a]	13	2	5	6	3	9	38

[a] The number of IDA-funded projects in the PTI excludes joint IBRD/IDA projects, which are counted only once, as IBRD projects. There was one such PTI project in fiscal 1992, two in fiscal 1995, one in fiscal 1996, one in fiscal 1997, four in fiscal 1998, eight in fiscal 1999, two in fiscal 2000, and one in fiscal 2001.
Source: World Bank.

TABLE D-4

List of operations in the Program of Targeted Interventions (PTI), fiscal 2000–2001

Country	Project Name	FY	IDA (US$ mil.)	IBRD (US$ mil.)
East Asia and the Pacific				
China	SMALLHLDR CATTLE DEV	2000	0	93.5
Indonesia	ID-WSSLIC II	2000	77.4	0
Indonesia	DECENT AGR/FOR EXT	2000	5	13
Indonesia	SECOND KECAMATAN DEVELOPMENT PROJECT	2001	111.3	208.9
Lao PDR	Agricultural Development Project	2001	16.7	0
Papua New Guinea	PNG-GAZELLE RESTORATION II	2000	0	25.3
Philippines	MINDANAO RURAL DEV	2000	0	27.5
Philippines	PH-SOCIAL EXPENDITURE MANAGEMENT PROJECT	2000	0	100
Vietnam	COASTAL Wetl/Prot Dev	2000	31.8	0
Vietnam	RURAL TRANSPORT II PROJECT	2000	103.9	0
Vietnam	COMMUNITY BASED RURAL INFRASTRUCTURE	2001	102.8	0
Europe and Central Asia				
Albania	SOC SERV DEVT	2001	10	0
Armenia	SIF II	2000	20	0
Azerbaijan	HEALTH REF LIL	2001	5	0
Bosnia-Herzegovina	LOC INIT 2	2001	20	0
Bosnia-Herzegovina	COMM DEVT	2001	15	0
Bulgaria	CHILD WELFARE REF	2001	0	8
Kazakhstan	SYR DARYA CONTROL/NO. ARAL SEA	2001	0	64.5
Moldova	HEALTH INVST FUND	2001	10	0
Poland	RURAL DEVELOPMENT	2000	0	120
Romania	HEALTH SECTOR REFORM	2000	0	40
Romania	SOC SECT DEV (SSD)	2001	0	50
Tajikistan	PRIM HEALTH CARE	2000	5.4	0
Latin America and the Caribbean				
Argentina	AR-HEALTH INSURANCE FOR THE UNINSURED	2000	0	4.9
Argentina	AR-PUB. HLTH. SURV. & DISEASE CONTROL	2000	0	52.5
Argentina	AR INDIGENOUS COMMUNITY DEVELOPMENT LIL	2001	0	5
Argentina	AR-Second Secondary Education Project	2001	0	57
Barbados	CARIBBEAN HIV/AIDS I-BARBADOS	2001	0	15.1
Bolivia	BO-Health Sector Reform APL II	2001	35	0
Bolivia	INDIGENOUS PEOPLES DEVELOPMENT PROJECT	2001	5	0
Brazil	NE Microfinance Development	2000	0	50
Brazil	PROSANEAR 2	2000	0	30.3
Brazil	BR-BA BASIC EDU PROJECT (PHASE I)	2001	0	69.6
Brazil	Rural Poverty Reduction Project - CE	2001	0	37.5
Brazil	Rural Poverty Reduction Project - PE	2001	0	30.1
Brazil	RURAL POVERTY REDUCTION PROJECT - PI	2001	0	22.5
Brazil	Rural Poverty Reduction Project - BA	2001	0	54.3
Brazil	BR-CEARA BASIC EDUCATION	2001	0	90
Brazil	LAND-BASED POVERTY ALLEVIATION I	2001	0	202.1
Caribbean	Caribbean Reg. Initiative HIV/AIDS-Do	2001	0	25
Colombia	CO RURAL EDUCATION	2000	0	20
Colombia	CARTAGENA WATER SUPPLY & SEWERAGE ENVIRO	2000	0	85
Colombia	CO COMMUNITY WORKS AND EMPLOYMENT PROJ.	2000	0	100
Colombia	CO-Human Capital Prot. - Cash Transfers	2001	0	150
Ecuador	Rural Water Supply & Sanitation	2001	0	32
Guatemala	GT-UNIVERSALIZATION OF BASIC EDUCATION	2001	0	62.2
Honduras	EMERG DISASTER MGMT	2000	10.8	0
Honduras	HN-COMMUNITY-BASED EDUCATION PROJECT	2001	41.5	0
Honduras	HN-FIFTH SOCIAL INVESTMENT FUND PROJECT	2001	60	0
Honduras	Access to Land Pilot (PACTA)	2001	8	0
Mexico	RURAL DEV.MARG.ARII	2000	0	55
Mexico	MX GENDER (LIL)	2000	0	3.1
Mexico	MX: III BASIC HEALTH CARE PROJECT	2001	0	350
Nicaragua	NI/SECOND BASIC EDUCATION PROJECT	2000	52.5	0
Nicaragua	NI-Poverty Red. & Local Dev. FISE	2001	60	0
Panama	PA-BASIC EDUCATION II	2001	0	35
Peru	HEALTH REFORM PROGRAM	2000	0	80
Peru	Indigenous Peoples Development	2000	0	5
Peru	SECOND RURAL ROADS PROJECT	2001	0	50
St. Lucia	POVERTY REDUCTION FUND	2000	1.5	1.5
Uruguay	APL OSE MOD & REHAB.	2000	0	27
Venezuela	VE-CARACAS METROPOLITAN HEALTH	2001	0	30.3

Country	Project Name	FY	IDA (US$ mil.)	IBRD (US$ mil.)
Middle East and North Africa				
Iran	TEHRAN SEWERAGE	2000	0	145
Iran	IR-2nd Primary Health Care & Nutrition	2000	0	87
Lebanon	LB-GENERAL EDUCATION	2000	0	56.6
Lebanon	Community Development Project	2001	0	20
Morocco	IRRIGATION BASED COMMUNITY DEVELOPMENT	2001	0	32.6
Yemen	RY-CHILD DEVELOPMENT	2000	28.9	0
Yemen	RY-Second Social Fund for Development	2000	75	0
Yemen	RY-IRRIGATION IMPROVEMENT	2001	21.3	0
Yemen	RURAL ACCESS IMPROVEMENT PROGRAM	2001	45	0
Yemen	RY-RURAL WATER SUPPLY & SANITATION	2001	20	0
South Asia				
Bangladesh	Fourth Fisheries	2000	28	0
Bangladesh	National Nutrition Program	2000	92	0
Bangladesh	Microfinance II	2001	151	0
Bangladesh	HIV/AIDS Prevention	2001	40	0
India	RAJASTHAN DPIP	2000	100.5	0
India	AP DPIP	2000	111	0
India	UP DPEP III	2000	182.4	0
India	IMMUNIZATION STRENGTHENING PROJECT	2000	142.6	0
India	UP Health Systems Development Project	2000	110	0
India	KERALA RWSS	2001	65.5	0
India	RAJ DPEP II	2001	74.4	0
India	MP DPIP	2001	110.1	0
India	KAR WSHD DEVELOPMENT	2001	100.4	0
India	LEPROSY II	2001	30	0
Maldives	III EDUC & TRAIN.	2000	17.6	0
Nepal	ROAD MAINTENANCE AND DEVELOPMENT	2000	54.5	0
Pakistan	NWFP ON-FARM WATER MANAGEMENT PROJECT	2001	21.3	0
Sri Lanka	North-East Irrigated Agriculture Project	2000	27	0
Sri Lanka	LAND TIT. & REL.SERV (LIL)	2001	5	0
Sub-Saharan Africa				
Angola	SECOND SOCIAL ACTION PROJECT (FAS II)	2000	33	0
Benin	Labor Force Development Project	2000	5	0
Burkina Faso	COMMUNITY-BASED RURAL DEVELOPMENT	2001	66.7	0
Burundi	Bi-Bursap II	2000	12	0
Cote d'Ivoire	ADULT LITERACY	2000	5	0
Eritrea	HIV/AIDS, MALARIA, STDs & TB CONTROL	2001	40	0
Eritrea	INTEGRATED EARLY CHILDHOOD PROJECT	2001	40	0
Ethiopia	CONSERVATION OF MEDICINAL PLANTS	2001	2.6	0
Ghana	COMMUNITY WATER II	2000	25	0
Ghana	URBAN 5	2000	10.8	0
Ghana	AGRIC SERVICES	2001	67	0
Guinea	CAPACITY BUILDING SD	2000	19	0
Kenya	Decentralized Repr. Health and HIV/AIDS	2001	50	0
Lesotho	Community Development Support Project	2000	4.7	0
Madagascar	Second Health Sector Support Project	2000	40	0
Madagascar	MG-Rural Development Support Project	2001	89	0
Madagascar	COMMUNITY DEVELOPMENT PROJECT	2001	110	0
Mali	RURAL INFRASTRUCTURE	2000	115.1	0
Mali	IMPROVING LEARNING IN PRIMARY SCHOOLS	2000	3.8	0
Mali	EDUCATION SECTOR EXPENDITURE PROGRAM	2001	45	0
Mauritania	INTEG DEV PROG FOR I	2000	38.1	0
Nigeria	SMALL TOWNS WATER	2000	5	0
Nigeria	Community Based Poverty Reduction	2001	60	0
Rwanda	AGRICULTURAL AND RURAL MARKET DEVELOPMENT	2000	5	0
Senegal	Quality Education For All Program	2000	50	0
Senegal	NAT.INFRA.PROGRAM	2000	28.5	0
Senegal	SOCIAL DEVELOPMENT FUND PROGRAM	2001	30	0
Sierra Leone	COMMUNITY REINTEGRATION & REHAB PROJ (CRRP)	2000	25	0
Tanzania	FIDP II	2000	27.5	0
Tanzania	SOCIAL ACTION FUND PROJECT	2001	60	0
Uganda	HIV/AIDS Control Project	2001	47.5	0
Zambia	PUB SVC CAP (PSCAP)	2000	28	0
Zambia	Social Investment Fund (ZAMSIF)	2000	64.7	0
Zimbabwe	LAND REFORM	2000	5	0

ANNEX E. POVERTY-FOCUSED ADJUSTMENT OPERATIONS, FISCAL YEARS 1992–2001

TABLE E-1

Poverty-focused adjustment lending, fiscal 1992–2001

	FY92	*FY93*	*FY94*	*FY95*	*FY96*	*FY97*	*FY98*	*FY99*	*FY00*	*FY01*
Poverty-focused adjustment lending (US$ mil.)	2,838.1	1,165.0	1,665.0	1,648.0	2,227.0	2,649.0	7,235.0	10,689.3	2,177.9	2,381.4
Total adjustment lending	5,847.3	5,252.6	2,867.5	5,324.3	4,509.4	5,085.7	11,289.2	15,327.7	5,107.7	5,762.8
Percentage of adjustment lending	49	22	58	31	49	52	64	70	43	41
Total no. of poverty-focused adjustment operations	18	6	20	14	17	18	16	36	12	18
Total no. of adjustment operations	32	23	28	30	30	30	37	48	23	30
Percentage of poverty-focused adjustment operations	56	26	71	47	57	60	43	75	52	60
IDA poverty-focused adjustment lending (US$ mil.)	1,168.1	645.0	875.0	598.0	1,027.0	689.0	630.0	1,238.7	595.0	1,262.6
IDA adjustment lending (US$ mil.)	2,152.3	1,422.6	1,997.5	1,069.3	1,679.4	947.7	1,354.2	1,390.5	681.6	1,825.7
Percentage of IDA adjustment lending	54	45	44	56	61	73	47	89	87	69
Total no. of IDA poverty-focused adjustment operations	10	3	11	9	13	9	9	20	7	12
Total no. of IDA adjustment operations	16	8	18	15	19	11	17	22	9	15
Percentage of IDA poverty-focused adjustment operations	63	38	61	60	68	82	53	91	78	80

Note: Adjustment operations include SALs, SECALs, PRCs, PSLs, RILs, and DRLs. For joint IBRD/IDA operations, the amount of lending is split between IBRD and IDA as stipulated in the loan/credit document, but it is counted only once, as an IBRD operation.
Source: World Bank.

TABLE E-2A

Poverty-focused adjustment operations lending by type, fiscal 2000

	Total	*IDA*	*IBRD*
SAL/SAC lending ($ mil.)	1,632.4	595.0	1,037.4
Number of SALs/SACs	10	7	3
SECAL/C lending ($ mil.)	505.1	0	505.1
Number of SECALCs	1	0	1
PSL/C lending ($ mil.)	40.4	0	40.4
Number of PSL/Cs	1	0	1
Total:			
Lending ($ mil.)	2,177.9	595.0	1,582.9
Number of loans/credits	12	7	5

TABLE E-2B

Poverty-focused adjustment operations lending by type, fiscal 2001

	Total	*IDA*	*IBRD*
SAL/SAC lending ($ mil.)	1,665.7	782.6	883.1
Number of SALs/SACs	11	8	3
SECAL/C lending ($ mil.)	155.7	20.0	135.7
Number of SECALs/Cs	3	1	2
PRSC lending ($ mil.)	400.0	400.0	—
Number of PRSCs	2	2	—
PSL/C lending ($ mil.)	160.0	60.0	100.0
Number of PSLs/Cs	2	1	1
Total:			
Lending ($ mil.)	2,381.4	1,262.6	1,118.8
Number of loans/credits	18	12	6

Note: SAL/SAC are Structural Adjustment Loans/Credits; SECAL/C are Sectoral Adjustment Loans/Credits; PRSCs are Poverty Reduction Support Credits; PSL/C are Programmatic Sector Loans/Credits.
Source: World Bank.

TABLE E-3

Poverty-focused components of adjustment operations, fiscal 2000–2001

	Objectives			
	Reforming public expenditures[a]	*Addressing distortions*[b]	*Safety nets/ Targeted programs*[c]	*Tranche release conditions*[d]
Fiscal 2000				
Structural Adjustment Loans				
Burkina Faso: Third Structural Adjustment Credit*	√			√
Cambodia: Structural Adjustment Credit*	√		√	√
Ecuador: Structural Adjustment Program	√		√	√
Guinea Bissau: Economic Rehabilitation and Recovery Credit*	√			
India: Uttar Pradesh Fiscal Reform and Public Sector Restructuring*	√			
Mauritania: Fiscal Reform Support Operation*	√		√	
Sierra Leone: Economic Rehabilitation and Recovery Credit*	√			√
Tanzania: Programmatic Structural Adjustment Credit*	√		√	√
Turkey: Economic Reform Loan				√
Zambia: Fiscal Sustainability Credit*	√			
Sectoral Adjustment Loans				
Brazil: Second Social Security Special Sector Adjustment Loan			√	
Programmatic Structural Adjustment Loans				
Latvia: Programmatic Structural Adjustment Loan			√	
Total	9	0	6	6
Fiscal 2001				
Structural Adjustment Loans				
Argentina: Provincial Reform Loan - Cordoba	√		√	√
Armenia: Fourth Structural Adjustment Credit*	√			√
Benin: Public Expenditure Reform Adjustment Credit*	√			
India: Karnataka Economic Restructuring*	√	√		
Kenya: Economic and Public Sector Reform Credit*	√			√
Kyrgyz Republic: Consolidation Structural Adjustment Credit*		√	√	
Malawi: Third Fiscal Restructuring and Deregulation Program*	√		√	
Mexico: Estado de Mexico Structural Adjustment Loan		√		
Pakistan: Structural Adjustment Credit*	√	√		
Sao Tome and Principe: Public Resource Management Credit*	√		√	√
Tajikistan: Second Structural Adjustment Credit*	√	√		√
Sectoral Adjustment Loans				
Argentina: Provincial Reform Adjustment Loan - Catamarca	√	√		√
Bosnia-Herzegovina: Social Sector Adjustment Credit*		√	√	
Morocco: Information Infrastructure Sector Development Loan		√	√	√
Poverty Reduction Support Credits				
Uganda: Poverty Reduction Support Credit*	√	√		
Vietnam: Poverty Reduction Support Credit*	√	√	√	√
Programmatic Structural Adjustment Credits				
Bolivia: Programmatic Structural Adjustment Credit for Decentralization*	√			
Peru: Programmatic Social Reform Loan	√		√	
Total	14	10	8	8

*IDA credit
[a] Supports the reallocation of public expenditures towards physical infrastructure and basic social services for the poor.
[b] Focuses specifically on reducing distortions that especially disadvantage the poor.
[c] Supports programs that provide safety nets or that target specific groups.
[d] Contains tranche release conditions related to poverty-focused measures.
Source: World Bank.

TABLE E-4

List of poverty-focused adjustment operations, fiscal 2000–2001

Country	*Project Name*	*FY*	*IDA (US$ mil.)*	*IBRD (US$ mil.)*
East Asia and the Pacific				
Cambodia	SAC - CAMBODIA	2000	30	0
Vietnam	VIETNAM - POVERTY REDUC.SUPPORT CREDIT	2001	250	0
Europe and Central Asia				
Armenia	SAC 4	2001	50	0
Bosnia-Herzegovina	SOSAC I	2001	20	0
Kyrgyz Republic	CONSD SAC	2001	35	0
Latvia	PSAL I	2000	0	40.4
Tajikistan	SAC 2	2001	50	0
Turkey	ERL	2000	0	759.6
Latin America and the Caribbean				
Argentina	AR Catamarca Provincial Reform	2001	0	70.7
Argentina	AR Cordoba PRL5	2001	0	303
Bolivia	ANDCecentralization PSAC	2001	60	0
Brazil	2ND SOC SECURITY	2000	0	505.1
Ecuador	EC-SAL	2000	0	151.5
Mexico	MX Edo.de Mexico Structural Adjustm Loan	2001	0	505.1
Peru	PE-Programmatic Social Reform Loan I	2001	0	100
Middle East and North Africa				
Morocco	MA-INFORMATION INFRASTRUCTURE SECTOR	2001	0	65
South Asia				
India	UP FISCAL REFORM & PUBLIC SECTOR RESTRCT	2000	125	126.3
India	KARN SAL I	2001	75	75
Pakistan	Structural Adjustment Credit	2001	350	0
Sub-Saharan Africa				
Benin	PERAC (Public Expend. Adjust. Credit)	2001	10	0
Burkina Faso	SAC III	2000	25	0
Guinea-Bissau	ECONOMIC REHABILITATION & RECOVERY CRDIT	2000	25	0
Kenya	Economic & Public Sector Reform	2001	150	0
Malawi	ADJUSTMENT (FRDP III)	2001	55.1	0
Mauritania	FISCAL REFORM SUPPORT OPERATION	2000	30	0
Sao Tome and Principe	ST-Public Resource Management	2001	7.5	0
Sierra Leone	ECONOMIC REHAB. & RECOVERY (ERRC)	2000	30	0
Tanzania	PSAC I	2000	190	0
Uganda	UG PRSC	2001	150	0
Zambia	FISCAL SUST. ADJ CREDIT	2000	140	0

ANNEX F. POVERTY-FOCUSED EMERGENCY RECOVERY OPERATIONS, FISCAL YEARS 1992–2001

TABLE F-1

Poverty-focused ERL lending, fiscal 1992–2001

	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01
Poverty-focused ERL lending (US$ mil.)	16.0	285.0	13.1	—	100.0	97.5	316.0	125.1	982.5	260.6
Total ERL lending	316.0	840.2	387.1	240.0	110.0	170.6	516.0	1,099.1	1,146.6	781.6
Percentage of ERL lending	5	34	3	—	91	57	61	11	86	33
Total number of poverty-focused ERLs	1	1	1	0	1	5	8	3	3	2
Total number of ERLs	3	8	3	4	3	8	9	11	7	5
Percentage of poverty-focused ERLs	33	13	33	—	33	63	89	27	43	40
IDA poverty-focused ERL lending (US$ mil.)	16.0	—	13.1	—	—	97.5	101.0	14.0	—	260.6
IDA ERL lending (US$ mil.)	316.0	142.1	259.1	90.0	10.0	170.6	101.0	564.0	80.6	377.6
Percentage of IDA ERL lending	5	—	5	—	—	57	100	2	—	69
Total number of IDA poverty-focused ERLs	1	—	1	—	—	5	5	2	—	2
Total number of IDA ERLs	3	3	2	2	2	8	5	7	3	4
Percentage of IDA poverty-focused ERLs	33	—	50	—	—	63	100	29	—	50

Source: World Bank.

TABLE F-2

List of poverty-focused emergency recovery operations, fiscal 2000–2001

Country	*Project Name*	*FY*	*IDA (US$ mil.)*	*IBRD (US$ mil.)*
Europe and Central Asia				
Turkey	MARMARA EARTHQUAKE EMERGENCY RECONSTRUC.	2000	0	505
Turkey	EMG. EARTHQUAKE RECOV. - EERL	2000	0	252.5
Latin America and the Caribbean				
Colombia	EARTHQUAKE RECOVERY	2000	0	225
Sub-Saharan Africa				
Eritrea	EMERGENCY RECONSTRUCTION	2001	90	0
Ethiopia	Demobilization and Reintegration Project	2001	170.6	0

ANNEX G. ANNUAL LENDING TO SELECTED SECTORS, FISCAL YEARS 1984–2001

TABLE G-1

Average lending to selected sectors, fiscal 1984–2001

	FY84–86	*FY87–89*	*FY90–92*	*FY93–95*	*FY96–98*	*FY99–01*
World Bank (IBRD & IDA) lending (US$ mil.)						
Human capital development	1,110.6	1,085.2	2,935.8	3,818.1	5,106.4	3,733.7
Education	826.1	765.2	1,688.6	2,005.9	1,997.2	937.4
Health, nutrition, & population	284.5	303.0	1,024.3	1,128.9	1,754.9	1,047.2
Social protection[a]	—	17.0	222.9	683.3	1,354.2	1,749.0
Agriculture	3,942.0	3,649.6	3,210.9	2,888.8	2,746.9	1,852.1
Water supply & sanitation	686.1	758.6	965.3	1,056.2	621.4	791.4
Total Bank lending	15,435.1	19,420.5	21,697.6	22,351.2	23,017.6	20,507.5
As share of total Bank lending (percent)						
Human capital development	7	6	14	17	22	18
Agriculture	26	19	15	13	12	9
Water supply & sanitation	4	4	4	5	3	4
IDA lending (US$ mil.)						
Human capital development	450.6	471.9	1,464.1	1,737.6	1,877.8	1,554.5
Education	298.1	308.2	748.3	787.0	734.6	472.0
Health, nutrition, & population	152.5	146.7	545.2	577.6	870.7	578.7
Social protection[a]	—	17.0	170.6	373.0	272.5	503.8
Agriculture	1,281.8	1,362.3	1,435.8	1,320.8	1,021.6	775.4
Water supply & sanitation	110.5	175.1	321.3	269.3	171.4	294.3
Total IDA lending (US$ mil.)	3,247.7	4,292.7	6,121.7	6,337.6	6,331.2	5,978.1
As share of total IDA lending (percent)						
Human capital development	14	11	24	27	30	26
Agriculture	39	32	23	21	16	13
Water supply & sanitation	3	4	5	4	3	5

Note: The data are for average annual lending during the three-year period indicated. The World Bank's fiscal year runs from July 1 of the previous year to June 30 of the year indicated. Three-year moving averages have been reported since the first Progress Report on Poverty in fiscal 1992 to smooth out year-to-year fluctuations. Because of a recent sector reclassification of projects, some numbers may differ from those reported in earlier tables. Note that these sectors do not account for all poverty-focused lending; projects in such sectors as urban development and transport also have components designed to help reduce poverty.

[a] Social protection lending includes employment, social assistance, social insurance, and social investment funds.

TABLE G-2

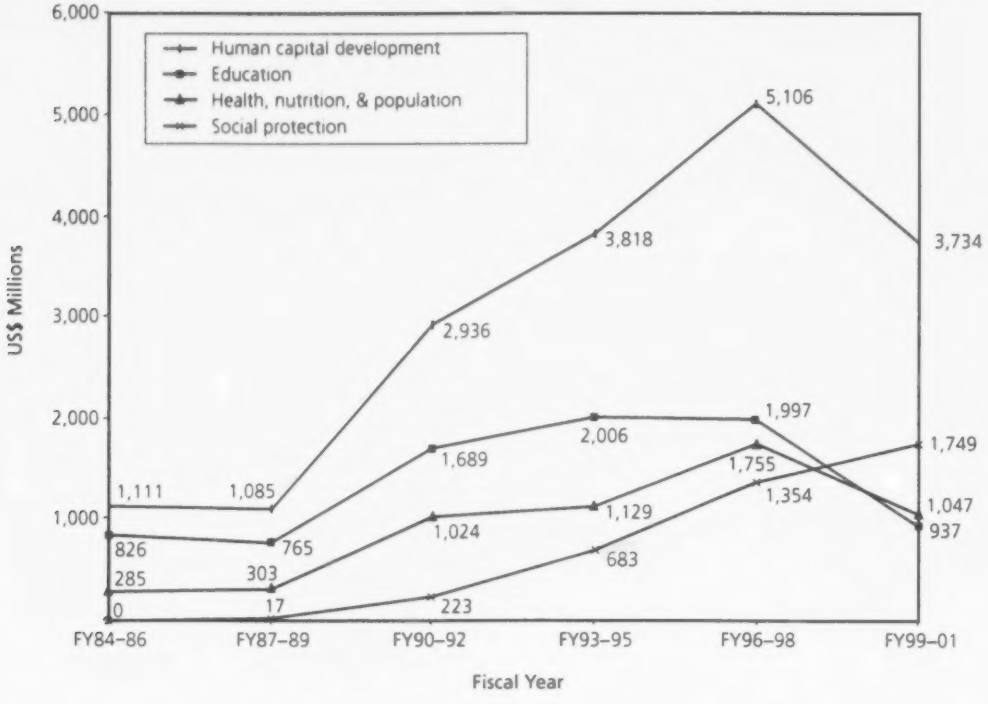
Annual lending to selected sectors, fiscal 1992–2001

	FY92	FY93	FY94	FY95	FY96	FY97	FY98	FY99	FY00	FY01
World Bank (IBRD & IDA) lending (US$ mil.)										
Human capital development	2,715.4	4,034.3	3,241.0	4,179.1	5,028.6	3,473.5	6,817.0	5,125.6	2,561.0	3,514.4
Education	1,666.5	1,871.2	2,119.2	2,027.2	1,868.0	994.4	3,129.3	1,334.2	684.0	794.1
Health, nutrition, & population	922.1	1,378.6	885.7	1,122.5	2,353.4	920.4	1,990.9	1,106.8	987.0	1,047.8
Social protection[a]	126.8	784.5	236.1	1,029.4	807.2	1,558.7	1,696.8	2,684.6	890.0	1,672.5
Agriculture	3,209.9	2,902.8	3,555.1	2,208.5	2,063.2	3,540.5	2,636.9	2,762.8	1,336.7	1,456.8
Water supply & sanitation	786.4	1,153.9	975.2	1,039.5	569.8	682.8	611.6	544.7	903.6	925.8
Total Bank lending	21,705.7	23,695.9	20,836.0	22,521.8	21,312.2	19,146.7	28,594.0	28,995.7	15,276.3	17,250.6
As share of total Bank lending (percent)										
Human capital development	13	17	16	19	24	18	24	18	17	20
Agriculture	15	12	17	10	10	18	9	10	9	8
Water supply & sanitation	4	5	5	5	3	4	2	2	6	5
IDA lending (US$ mil.)										
Human capital development	1,297.8	2,139.5	1,245.1	1,828.2	2,172.6	1,015.7	2,445.1	1,566.0	1,321.5	1,775.9
Education	561.3	970.2	619.3	771.6	747.2	255.1	1,201.5	534.8	468.7	412.5
Health, nutrition, & population	615.1	541.8	519.7	671.2	858.2	674.6	1,079.4	592.5	579.4	564.2
Social protection[a]	121.4	627.5	106.1	385.4	567.2	86.0	164.2	438.7	273.4	799.2
Agriculture	1,219.2	1,084.0	1,523.3	1,355.2	1,108.5	719.4	1,236.9	975.1	568.1	782.9
Water supply & sanitation	297.4	395.4	103.2	309.2	80.7	302.4	131.0	253.9	109.7	519.3
Total IDA lending	6,549.7	6,751.4	6,592.1	5,669.2	6,864.1	4,621.8	7,507.8	6,813.3	4,357.5	6,763.5
As share of total IDA lending (percent)										
Human capital development	20	32	19	32	32	22	33	23	30	26
Agriculture	19	16	23	24	16	16	16	14	13	12
Water supply & sanitation	5	6	2	5	1	7	2	4	3	8

Note: The World Bank's fiscal year runs from July 1 of the previous year to June 30 of the year indicated. These sectors do not account for all poverty-focused lending; projects in such sectors as urban development and transport also have components designed to help reduce poverty. See World Bank Annual Report 1999 for further details on sector lending. Because of a recent sector reclassification of projects, some numbers may differ from those reported in earlier tables.

[a] Social protection lending includes employment, social assistance, social insurance, and social investment funds.

FIGURE G-1
Trends in lending for human capital development, fiscal 1983–2001



ANNEX H. HOUSEHOLD SURVEY AVAILABILITY BY REGION

SUB-SAHARAN AFRICA

Country	Population (millions)[1]	No. of budget surveys[2,3]	Any comparable surveys?[3]	No. of openly accessible surveys data sets[3]	Year of most recent survey[3]	Fiscal Year of last Poverty Assessment[4]	Year of most recent Demographic and Health Survey[5]
Angola	12	2	No	1	1995	—	—
Benin	6	3	—	1	1996	1994	1996
Botswana	2	1	—	—	1985–86	—	1988
Burkina Faso	11	3	No	2	1998	—	1999
Burundi	7	3	No	2	1998	1999	1987
Cameroon	14	1	—	1	1996	1995	1998
Central African R.	3	2	No	1	1995–96	—	1994
Chad	7	2	No	1	1995–96	1998	1997
Congo, Dem. Rep.	48	2	—	—	1990–91	—	—
Congo, Rep.	3	1	—	—	1989	1997	—
Côte D' Ivoire	14	7	Yes	4	1996	1997	1994
Eritrea	4	—	—	—	—	1996	1995
Ethiopia	61	8	Yes	3	1998	1993	2000
Gabon	1	1	—	—	1994	1997	2000
Gambia, The	1	4	Yes	4	1993–94	1993	—
Ghana	18	5	Yes	5	1998	1995	1998
Guinea	7	2	—	2	1994–95	1997	1999
Guinea-Bissau	1	2	—	2	1993–94	1994	—
Kenya	29	3	Yes	1	1997	1995	1998
Lesotho	2	3	Yes	1	1995	1996	—
Liberia	3	—	—	—	—	—	1986
Madagascar	15	3	No	2	1999	1996	1997
Malawi	11	2	No	0	1992–93	1996	2000
Mali	11	3	No	3	1996	1993	2000
Mauritania	3	5	—	5	1995–96	1995	2000
Mauritius	1	2	—	—	1991–92	1995	—
Mozambique	17	2	—	—	1997	1991	1997
Namibia	2	1	—	—	1993–94	1993	2000
Niger	10	5	—	3	1996	1996	1998
Nigeria	121	7	Yes	—	1996–97	1996	1999
Rwanda	8	4	—	—	1998	1998	2000
Senegal	9	4	No	3	1996	1995	1999
Sierra Leone	5	2	—	—	1994	1993	—
Somalia	9	—	—	—	—	—	—
South Africa	41	3	Yes	3	1998	—	1998
Sudan	28	—	—	—	—	—	1990
Tanzania	32	3	—	2	1993–94	1996	1996
Togo	4	2	—	1	1996	1996	1998
Uganda	21	7	Yes	3	1996	1993	2000
Zambia	10	6	Yes	5	1998	1995	2000
Zimbabwe	12	1	—	0	1990–91	1995	1999

[1] Source of information: World Development Indicators 2000, World Bank.
[2] Includes income and expenditure surveys, integrated household surveys and any other survey collecting income/consumption data.
[3] Source of information: 1998 Census of Household Surveys, World Bank and Africa Household Surveys Databank, World Bank, and Poverty Monitoring Database, World Bank.
[4] Source of information: Annex C.
[5] Source of information: Demographic and Health Surveys web site (*http://www.measuredhs.com/*).

Comments on the Africa table:

1. This listing of household surveys is not exhaustive, as many surveys are implemented without intervention from the Bank. Moreover, the 1998 Census of Household Surveys was not able to collect any information on Eritrea, Liberia, Somalia, and Sudan.
2. For another six countries (Congo, Democratic Republic of Congo, Gabon, Mauritius, Mozambique, and Namibia), we have no information on whether the household surveys that were conducted collected any information on income and consumption.
3. For thirteen countries, the last survey recorded in the Poverty Monitoring database was conducted more than five years ago, before 1994.
4. Comparable surveys over time appear to be available for only ten countries.

EAST ASIA AND PACIFIC

Country	Population (millions)[1]	No. of budget surveys[2,3]	Any comparable surveys?[3]	No. of openly accessible surveys data sets[3]	Year of most recent survey[3]	Fiscal Year of last Poverty Assessment[4]	Year of most recent Demographic and Health Survey[5]
Cambodia	11	3	Yes	3	1999	2000	2000
China	1,239	Series	Yes	0	1999	1992	—
Indonesia	204	Series	Yes	23	1999	1994	1997
Korea DR	23	—	—	—	—	—	—
Korea Rep	46	Series	Yes	All	2000	—	—
Laos	5	2	Yes	0	1997–98	1996	—
Malaysia	22	Series	Yes	2	1999	1991	—
Mongolia	3	Series	Yes	0	1999	1996	—
Myanmar	44	1	No	0	1997	—	—
Papua New Guinea	5	2	No	1	1996–97	—	—
Philippines	75	Series	Yes	6	1998	2000	1998
Thailand	61	Series	Yes	All	1999	1997	1987
Vietnam	77	Series	Yes	2	1998	2000	1997

[1] Source of information: World Development Indicators 2000, World Bank.
[2] Includes income and expenditure surveys, integrated household surveys and any other survey collecting income/consumption data.
[3] Source of information: 1998 Census of Household Surveys, World Bank and Poverty Monitoring Database, World Bank.
[4] Source of information: Annex C.
[5] Source of information: Demographic and Health Surveys web site (*http://www.measuredhs.com/*).

Comments:

1. Except for the Democratic Republic of Korea (North Korea) some survey data with information on income and/or consumption exist for all other countries in the region, covering 99% of the population.
2. Comparable surveys exist for at least 10 of the 13 countries (including China), covering 96% of the region's population. Excluding China from the count, comparable surveys exist for 88% of the population.
3. Open access to survey data is keeps being problematic. There appears to be open access to survey data for 8 countries—Cambodia, Indonesia, Malaysia (only for the 1976 and the 1988 *Malaysian Family Life Survey* conducted by RAND), Papua New Guinea, the Philippines, South Korea, Thailand, and Vietnam, accounting for only 27% of the region's population.

EUROPE AND CENTRAL ASIA

Country	Population (millions)[1]	No. of budget surveys[2,3]	Any comparable surveys?[3]	No. of openly accessible surveys data sets[3]	Year of most recent survey[3]	Fiscal Year of last Poverty Assessment[4]	Year of most recent Demographic and Health Survey[5]
Albania	3	4	No	1	1997	1997	—
Armenia	4	Series	Yes	3	1998–99	1999	2000
Azerbaijan	8	2	No	1	1999	1997	—
Belarus	10	6	Yes	—	1998	1996	—
Bosnia and Herzegovina	4	1	Yes	1	1997	—	
Bulgaria	8	Series	Yes	1	1999	1999	—
Croatia	5	Series	—	All	1999	—	—
Czech Republic	10	3	Yes	—	1996	—	—
Estonia	1	3	Yes	1	1998	1996	—
Georgia	5	2	—	1	1999	1999	—
Hungary	10	Series	Yes	0	1997	1996	—
Kazakhstan	16	1	No	0	1996	1998	1999
Kyrgyz Republic	5	5	Yes	1	1998	1999	1997
Latvia	2	2	—	1	1997–98	2000	—
Lithuania	4	3	Yes	1	2000	—	—
Macedonia, FYR	2	8	Yes	7	1997	1999	—
Moldova	4	3	—	1	1999	2000	—
Poland	39	Series	Yes	1	1998	1995	—
Romania	23	2	Yes	0	1998	1997	—
Russian Federation	147	2	Yes	2	1994–98	1999	—
Slovak Republic	5	2	Yes	1	1997	—	—
Tajikistan	6	1	No	1	1999	2000	—
Turkey	63	3	Yes	0	1998	2000	1998
Turkmenistan	5	2	Yes	0	1998	—	2000
Ukraine	50	3	Yes	2	1999	1996	—
Uzbekistan	24	1	No	—	2000	—	1996
Yugoslavia, FR	11	—	—	—	—	—	—

[1] Source of information: World Development Indicators 2000, World Bank.
[2] Includes income and expenditure surveys, integrated household surveys and any other survey collecting income/consumption data.
[3] Source of information: 1998 Census of Household Surveys, World Bank, Poverty Monitoring Database, World Bank, and World Bank (2000) Making Transition Work for Everyone: Poverty and Inequality in Europe and Central Asia, Appendix B: Data Sources.
[4] Source of information: Annex C.
[5] Source of information: Demographic and Health Surveys web site (*http://www.measuredhs.com/*).

Comments:
1. The 1998 Census of Household Surveys was not able to collect any information on surveys in Yugoslavia.
2. Comparability between surveys is a matter of concern.
3. As in other regions, open access to survey data is rather problematic. Some data is openly accessible for about two-thirds of the countries in the region (18 out of 27).

LATIN AMERICA AND CARIBBEAN

Country	Population (millions)[1]	No. of budget surveys[2,3]	Any comparable surveys?[2,3]	No. of openly accessible surveys data sets[3]	Year of most recent survey[3]	Fiscal Year of last Poverty Assessment[4]	Year of most recent Demographic and Health Survey[5]
Argentina	36	Series	Yes	30	1999	2000	—
Bolivia	8	Series	Yes	6	1999	1996	1997
Brazil	166	Series	Yes	All	1999	1995	1996
Chile	15	Series	Yes	—	1998	1998	—
Colombia	41	Series	Yes	—	1998	1995	2000
Costa Rica	4	Series	Yes	1	1999	1997	—
Cuba	11	—	—	—	—	—	—
Dominican Rep.	8	Series	Yes	—	2000	1995	1996
Ecuador	12	Series	Yes	2	1998–99	1996	1987
El Salvador	6	Series	Yes	—	1998	1994	1985
Guatemala	11	3	Yes	—	1998–99	1995	1997
Haiti	8	1	No	0	1995	1999	2000
Honduras	6	Series	Yes	—	1999	1995	—
Jamaica	3	Series	Yes	All	1999	1994	—
Mexico	96	Series	Yes	—	2000	1991	1987
Nicaragua	5	3	Yes	2	1999	1995	1998
Panama	3	6	Yes	1	1997	1999	—
Paraguay	5	Series	Yes	All	1999	1994	1990
Peru	25	Series	Yes	8	2000	1999	2000
Trinidad and Tobago	1	2	Yes	0	1998	1996	1987
Uruguay	3	Series	Yes	—	2000	1993	—
Venezuela, RB	23	Series	Yes	0	1998	1991	—

[1] Source of information: World Development Indicators 2000, World Bank.
[2] Includes income and expenditure surveys, integrated household surveys and any other survey collecting income/consumption data.
[3] Source of information: 1998 Census of Household Surveys, World Bank and Latin America and the Caribbean Inventory of Household Surveys, World Bank.
[4] Source of information: Annex C.
[5] Source of information: Demographic and Health Surveys web site (*http://www.measuredhs.com/*)

Comments:
1. For only one country in the region (Cuba), the Census has no information.
2. Open access to survey data is very infrequent. Data is openly accessible for about one-third of the countries in the region (8 out of 22).

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MIDDLE EAST AND NORTH AFRICA

Country	Population (millions)[1]	No. of budget surveys[2,3]	Any comparable surveys?[3]	No. of openly accessible surveys data sets[3]	Year of most recent survey[3]	Fiscal Year of last Poverty Assessment[4]	Year of most recent Demographic and Health Survey[5]
Algeria	30	2	No	0	1995	1999	—
Egypt, Arab Rep.	61	6	Yes	1	1997	1992	2000
Iran, Islamic Rep.	62	1	—	0	1994–95	—	—
Iraq	22	—	—	—	—	—	—
Jordan	5	7	Yes	0	1997	1995	1997
Lebanon	4	3	Yes	0	1997	—	—
Libya	5	1	No	0	1992–93	—	—
Morocco	28	3	Yes	1	1998–99	1994	1995
Oman	2	1	No	0	1999–2000	—	—
Saudi Arabia	21	—	—	—	—	—	—
Syrian Arab Rep.	15	—	—	—	—	—	—
Tunisia	9	4	Yes	0	1995–96	1996	1988
West Bank and Gaza	3	4	Yes	3	1998	—	—
Yemen, Rep.	17	3	Yes	1	1998	1996	1991

[1] Source of information: World Development Indicators 2000, World Bank.
[2] Includes income and expenditure surveys, integrated household surveys and any other survey collecting income/consumption data.
[3] Source of information: 1998 Census of Household Surveys, World Bank and Poverty Monitoring Database, World Bank.
[4] Source of information: Annex C.
[5] Source of information: Demographic and Health Surveys web site (*http://www.measuredhs.com/*).

Comments:
1. The 1998 Census of Household Surveys was not able to collect any information on three countries (Iraq, Saudi Arabia, Syria).
2. Only West Bank and Gaza has openly accessible data; in Yemen only the 1998 *Household Budget Survey* is publicly accessible.
3. While none of the Egyptian data from the official statistical agency (CAPMAS) are available to the public, there is one data set from an IFPRI survey in Egypt that is openly accessible.

SOUTH ASIA

Country	Population (millions)[1]	No. of budget surveys[2,3]	Any comparable surveys?[3]	No. of openly accessible surveys data sets[3]	Year of most recent survey[3]	Fiscal Year of last Poverty Assessment[4]	Year of most recent Demographic and Health Survey[5]
Afghanistan	25	—	—	—	—	—	—
Bangladesh	126	5	Yes	0	1995–96	1998	2000
India	980	Series	Yes	All	1998	2000	1999
Nepal	23	4	No	1	1995–96	1999	1996
Pakistan	132	8	Yes	4	1996–97	1996	1991
Sri Lanka	19	5	Yes	3	1996–97	1995	1987

[1] Source of information: World Development Indicators 2000, World Bank.
[2] Includes income and expenditure surveys, integrated household surveys and any other survey collecting income/consumption data.
[3] Source of information: Census of Household Surveys, World Bank and Poverty Monitoring Database, World Bank.
[4] Source of information: Annex C.
[5] Source of information: Demographic and Health Surveys web site (*http://www.measuredhs.com/*).

Comments:
1. Five countries have at least one household survey with information on income and/or consumption.
2. Four of the six countries have surveys that are comparable, and in Nepal comparisons were carried out as well.
3. The 1998 Census of Household Surveys was not able to collect any information on surveys in Afghanistan.

ANNEX I. ALIGNING SECTOR STRATEGIES TO THE WDR 2000/2001 AREAS OF ACTION

Pillars	Opportunity		Empowerment		Security	
Sector Strategy	Objectives	Actions	Objectives	Actions	Objectives	Actions
Reforming public institutions and strengthening governance	More efficient use of public resources through improved public expenditure analysis and management	• Careful attention to quality, timeliness, and relevance of PERs • Greater integration of public expenditure management into PE analysis and lending	More accountable, efficient and effective government through decentralization of decision-making and service delivery	• Integration of governance concerns at the national and sub-national level into analysis of government structure and functions		
	Improved service delivery and more efficient resource use through privatization and restructuring of public enterprises and sectoral institutions building	• Continued focus on reaching an appropriate role for the public sector and on privatization of public enterprise or contracting out of public service delivery where feasible • Continued focus on enhancing the accountability and efficiency of sector service delivery and regulatory institutions through internal reforms, the expansion of competitive service delivery where appropriate	Growth, security, and accountability through better access to timely, affordable and just dispute resolution services	• Greater attention to and upstream analysis of institutional environments, incentive and anti-corruption strategies • Deepening our knowledge base and our partnership with foundations and other donors working on legal/judicial reform		
			Improved accountability through other institutions	• Greater support for organizations that collect, evaluate, and publicize data on poverty		
Strategy for the financial sector	Improve the functioning of financial sector to enhance financial stability and stimulate private sector led-growth, one of the most important drivers of poverty reduction	• Use of Financial Sector Assessment Program (FSAP) aims at recognizing strengths, detect potential weaknesses, and highlight key developmental issues in the financial sector			Providing quick support to governments dealing with financial distress and crises	• Implementation of Special Financial Operations (SFO) in countries experiencing financial crisis. The scope of SFO might be widened to cover potential vulnerabilities

	Improve access to financial markets for the poor	• Promotion of greater reliance on markets through removal of restrictions (e.g. interest rate ceilings) that hinders the development of non-bank financial intermediaries that serve small depositors and borrowers • Strengthen the links with IFC in providing delivery of financial services to institutions and creditworthy low-income individual and small businesses (e.g. through micro-finance institutions)			Continuing to help to develop new insurance instruments to mitigate natural disasters	• Establishment of the World Bank's Disaster Management Facility to encourage disaster prevention and mitigation practices • Development of insurance schemes providing the right financial incentives for ex-ante disaster loss mitigation, such as insurance to manage catastrophic risk • Exploring new mechanisms to provide new types of market-based insurance products that are affordable to small farmers
Integrating gender into the World Bank's work: a strategy for action	Improve women's access to assets and services	• Review and modify legal and regulatory frameworks to improve women's access to assets and services • Take institutional measures to ensure that legal changes are implemented in actual practice, with due regards to cultural sensitivity	Assist member countries in designing gender sensitive policies and programs and fostering greater gender equity	• Identify barriers that prevent women from participating in and benefiting from public policies and programs • Ensure effective program delivery • Establish monitoring and evaluation mechanisms to measure progress	Reduce the vulnerability of women in old age that arise out of their longer life expectancy and shorter history with formal labor markets	• Address the different life cycle experiences and needs of men and women in pension reforms, workfare programs and other forms of social protection
Making sustainable commitments: an environment strategy for the World Bank	Enhance the livelihoods of the poor through improved natural resource management (NRM) to increase incomes and enhance long-term productivity	• Undertake relevant studies (e.g. access and use of natural resources, resource degradation and productivity, and their linkages to poverty • Reflect economic, social, and ecological benefit in project design • Integrate sustainable ecosystem management objectives into infrastructures and rural development projects	Improve poor people's access to natural resources	• Support community-based ecosystem and natural resource management projects, support participatory tenure and property right reform projects, promote institutional reform focused on user organizations	Protect people's health from environmental risks and pollution to reduce the disease burden	• Promote markets-based solutions to environmental health problems relevant for poverty reduction and growth • Support water supply and sanitation, energy, and irrigation projects that have specific environmental health outcomes based on integrated water resource management

Pillars	Opportunity		Empowerment		Security	
Sector Strategy	Objectives	Actions	Objectives	Actions	Objectives	Actions
					Reduce people's vulnerability to environmental risk, including moderate and extreme natural event	• Support community-based ecosystem service initiatives to reduce the impact of flooding • Build and strengthen early warning systems, including community-based systems for effective dissemination of information • Support vulnerability reduction investments, including adaptation in investment to climate change
Social Protection Sector Strategy: from safety net to springboard					Reduce systemic and idiosyncratic risk	• Systematic risk analysis at the country level to better take account of and understand household risk management behavior • Analysis of the scale of public resources spent on formal safety nets and the number and socioeconomic profile of beneficiaries to allow reorientation of programs toward the poor • Planning of new operations in the area of AIDS prevention and mitigation and adjusting existing projects to include actions in this field
					Increase market-based social risk management mechanisms	• Establishment of micro-savings mechanisms • Testing new forms of insurance, e g. saving accounts with withdrawal regulation associated with catastrophic or major expenditure needs
					Reduce gender biased violence and improve protection for women and children	• Assisting in the reform of civil codes and their enforcement in order to improve protection for women and children

						• Exploration of methods to prevent harmful child labor, such as the combat of child trafficking, establishment a child labor fund, and adjustment of school calendar with agricultural cycle
Cities in transition: World Bank urban and local government strategy	Growth and increased productivity of city output, broad-based employment, investment, and trade in response to market opportunities	• Legal and regulatory frameworks that support appropriate business incentives and impose minimal transaction costs • Public-private partnerships to identify market opportunities and remove bottlenecks in developing land, infrastructure and cultural heritage assets • Land, real estate, and transport planning that supports spatially efficient land use and adequate supply of developed land for business and residential users • Rule of law and property right protected	Accountability, transparency, and integrity of local government	• Clear frameworks for intra- and intergovernmental assignment and delegation of functions, responsibilities, revenues, and expenditures	Safety and security, including low levels of crime, violence, and natural disasters	• Efficient national programs for targeted subsidies (housing, food, transport), unemployment insurance and welfare programs
			Local government institutions sensitive to the needs of the poor and disadvantaged residents and to gender differences in service requirements	• Mechanisms for objective, independent review of local government performance • Good collaboration among local government agencies and informal institutions such as community-based organization	Preservation of cultural heritage of urban areas and minimization of adverse effects on environment of transport and housing	• Environmentally and socially balanced development of public transport • Public and private commitment to respecting and preserving public areas, right-of-way, and cultural heritage, such as through participatory and market-friendly land use planning • Homeless shelters and programs for street children
			Cost effective fulfillment of local government service obligations	• Development and application of management tools and best practices • Regular public consultation and oversight in budget and local government decision-making processes • Incentive structures for public representatives and employees that encourage integrity and minimize corruption		

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